

# ECONOMIC OUTLOOK: FORWARD OR BACKWARD?

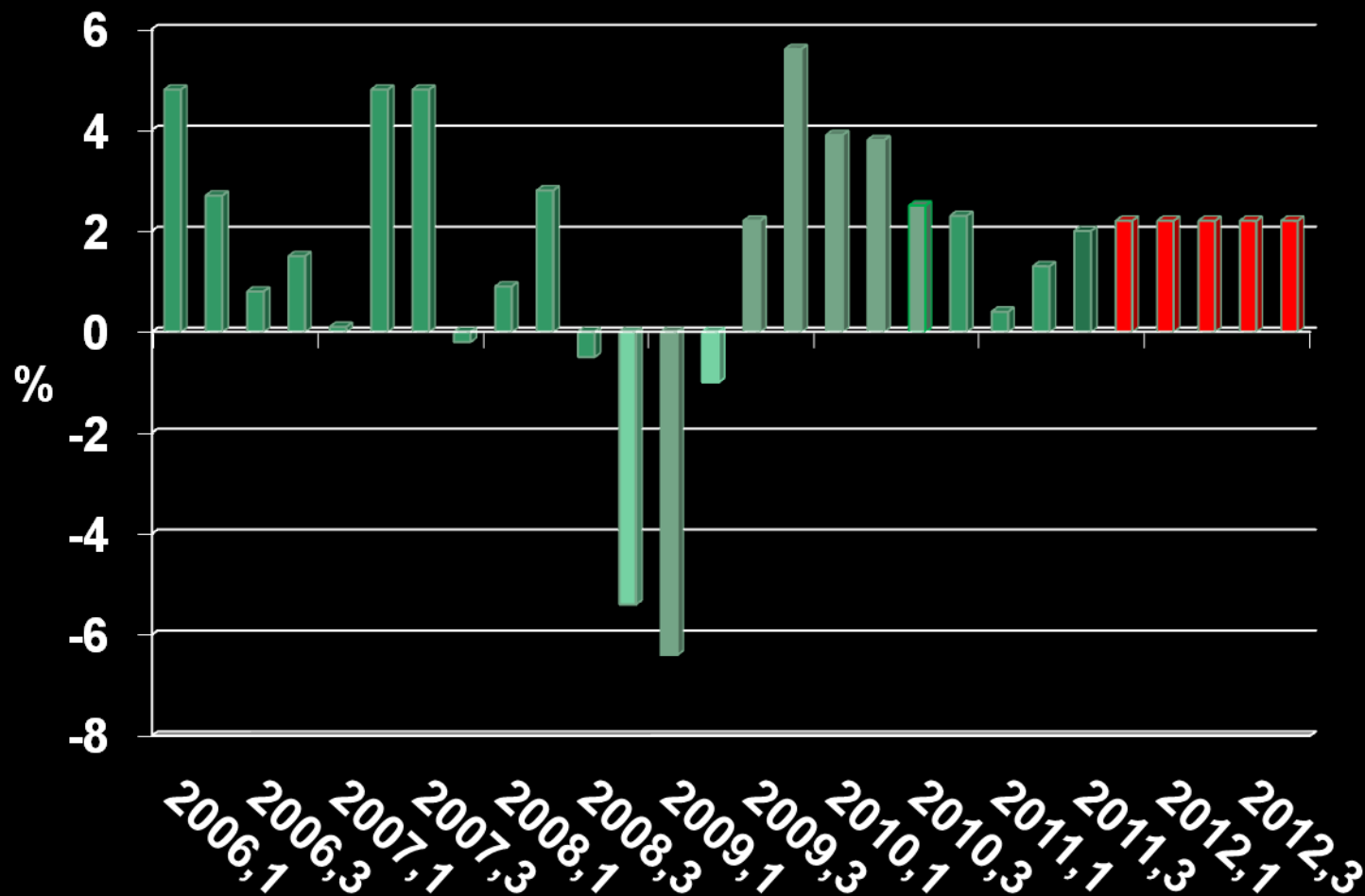
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Dr. Michael Walden  
Reynolds Distinguished  
Professor  
North Carolina State  
University

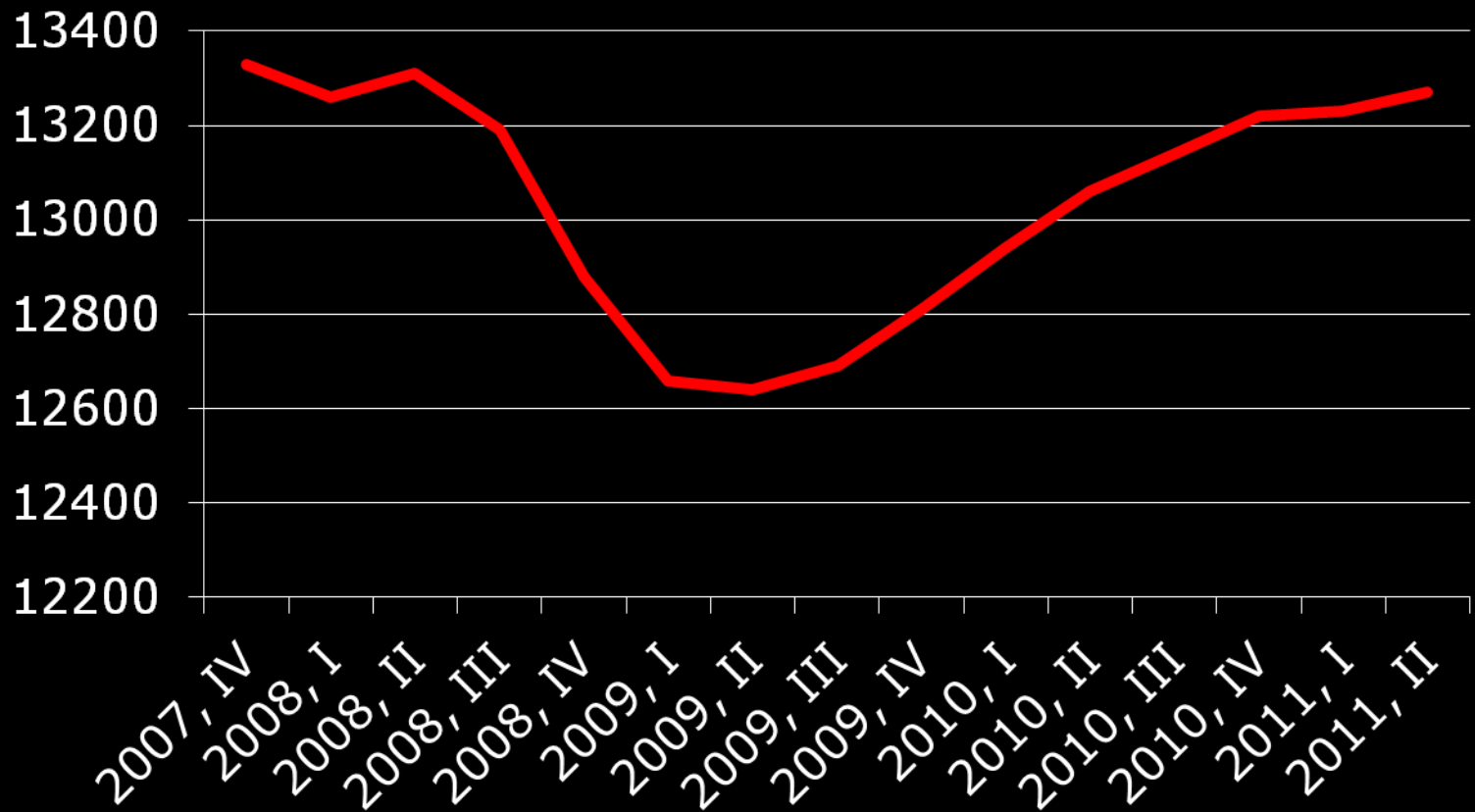
# Nation's Economic Report Card: Real GDP

(annualized % change in real GDP)



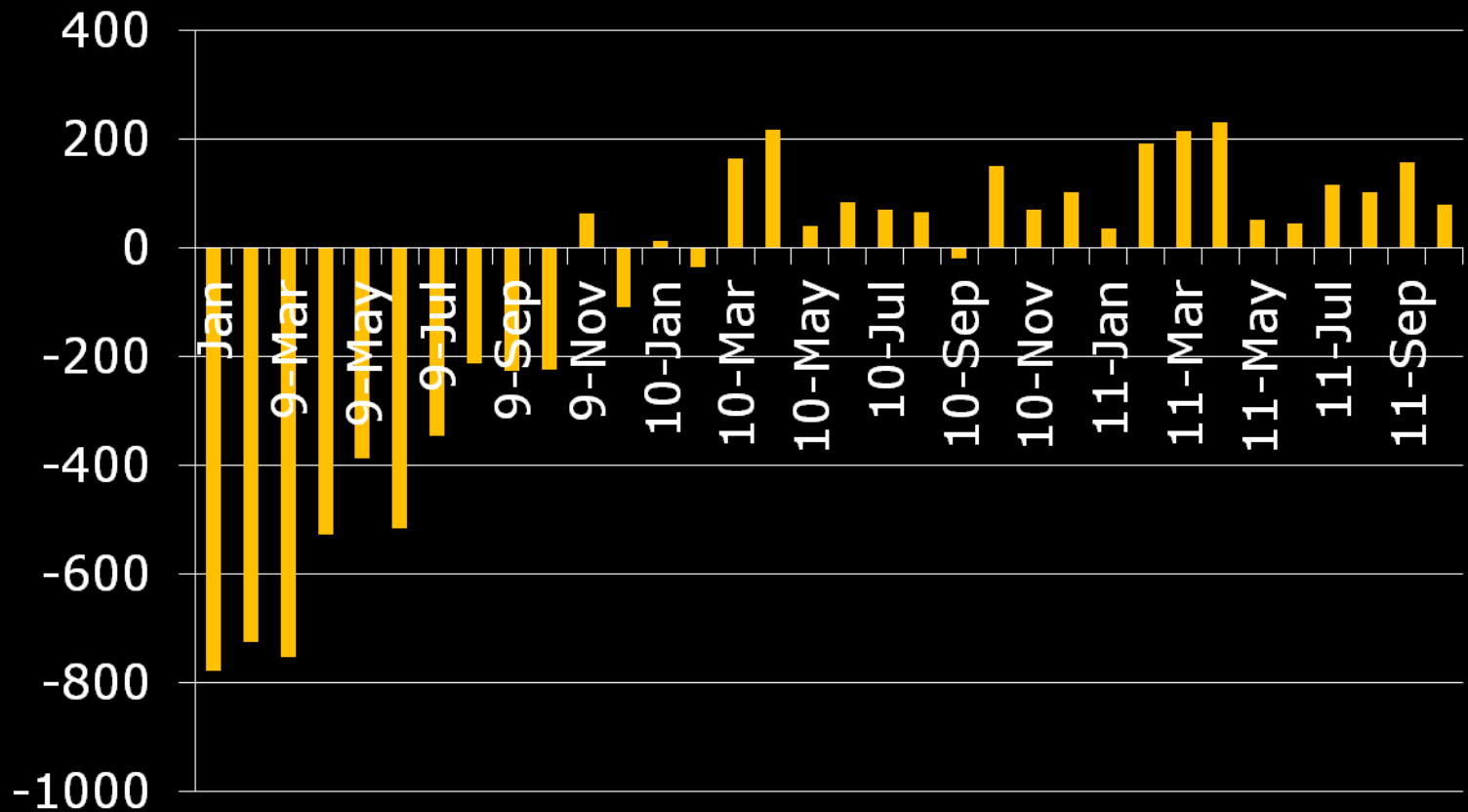
# MEANING OF “END OF RECESSION”

Real GDP, 2005 \$ millions

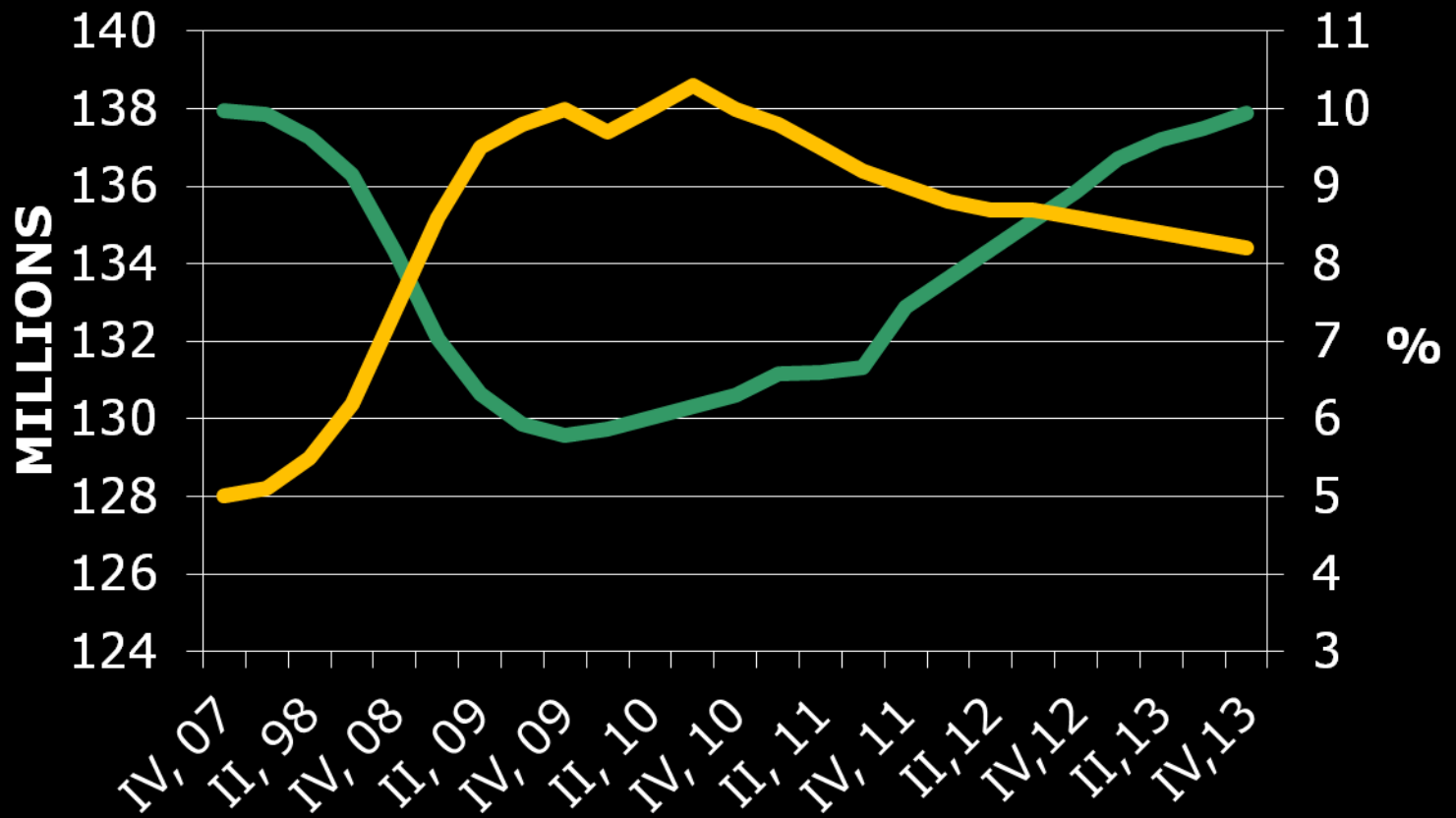


# Job Losses Have Stopped, But Small Gains

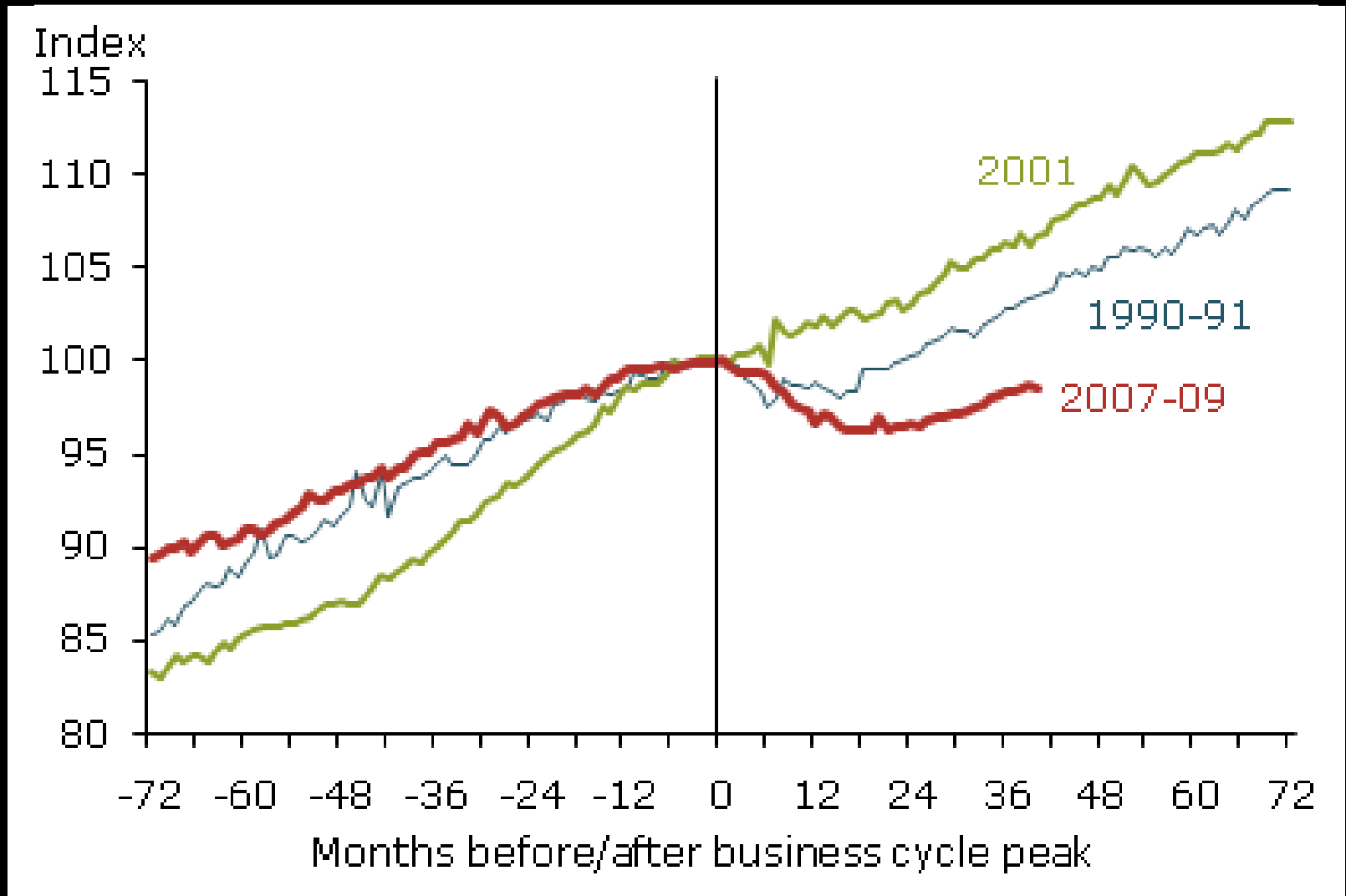
(thousands of jobs)



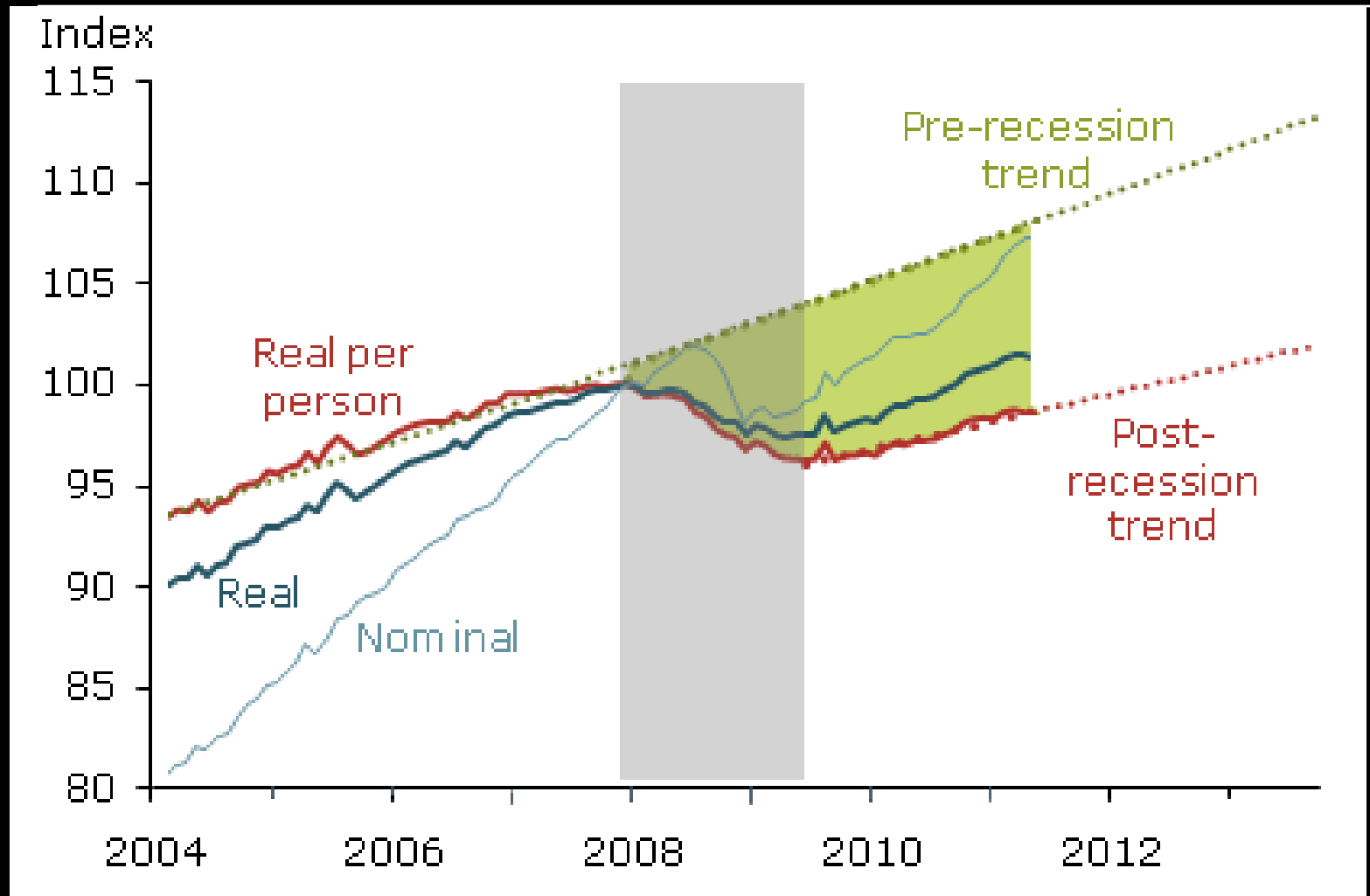
# BUT THE JOB RECOVERY WILL BE SLOW (NONFARM EMP AND UNEMP RATE)



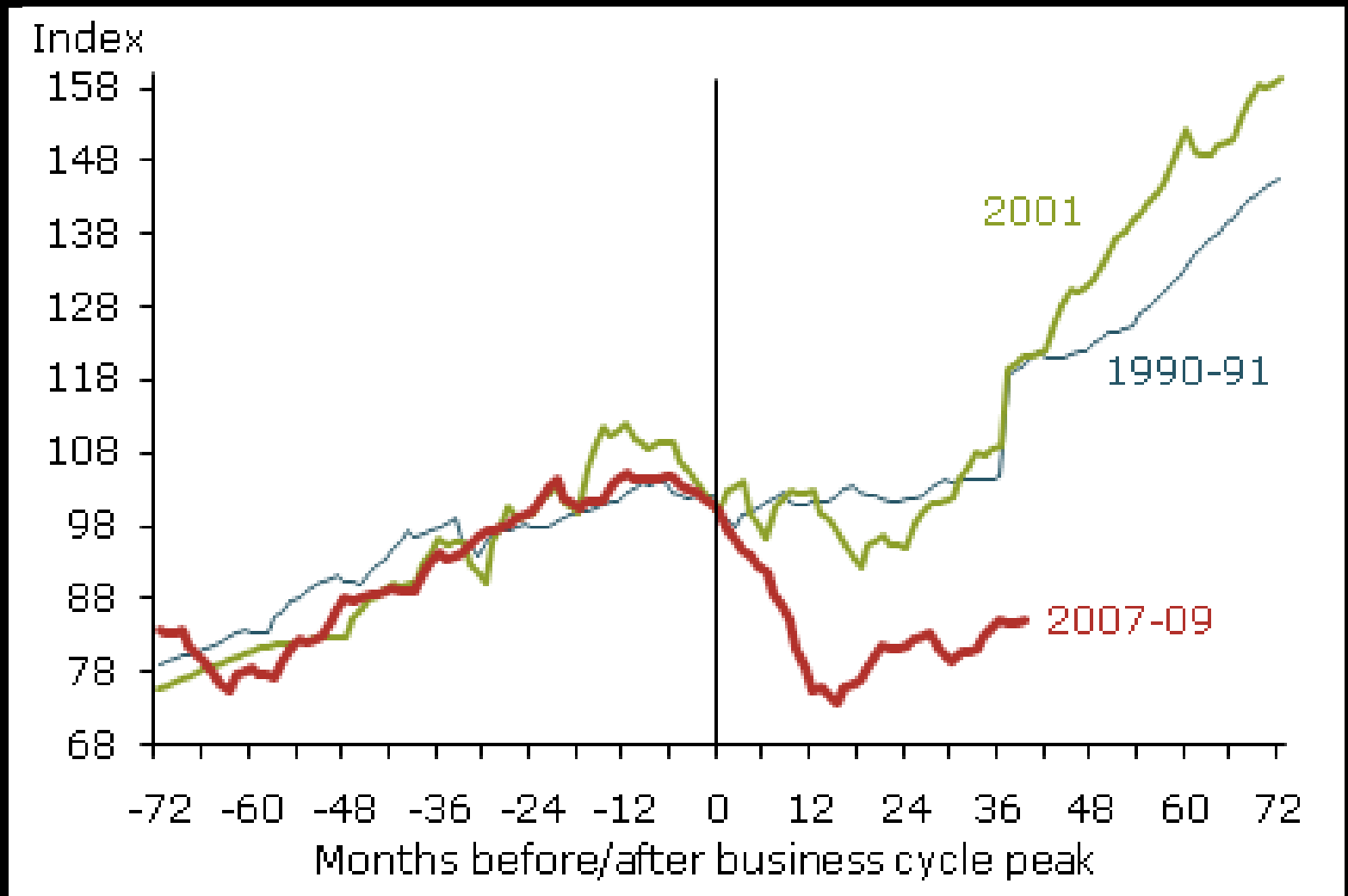
# CONSUMER SPENDING HAS LAGGED RECENT RECOVERIES



# THE ECONOMY IS ADJUSTING TO A LOWER TREND IN CONSUMER SPENDING

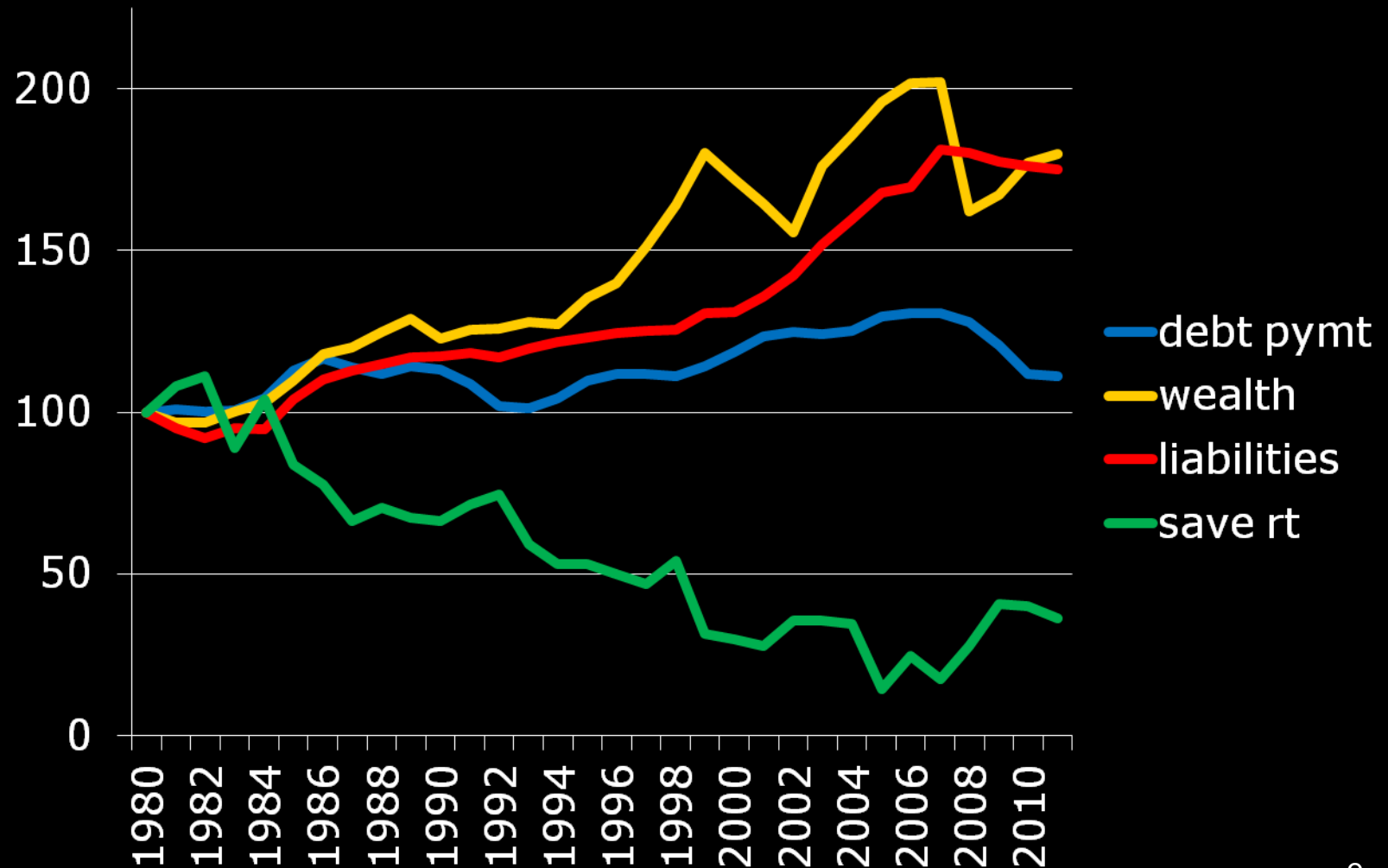


# THE RECOVERY IN HOUSEHOLD WEALTH HAS ALSO LAGGED



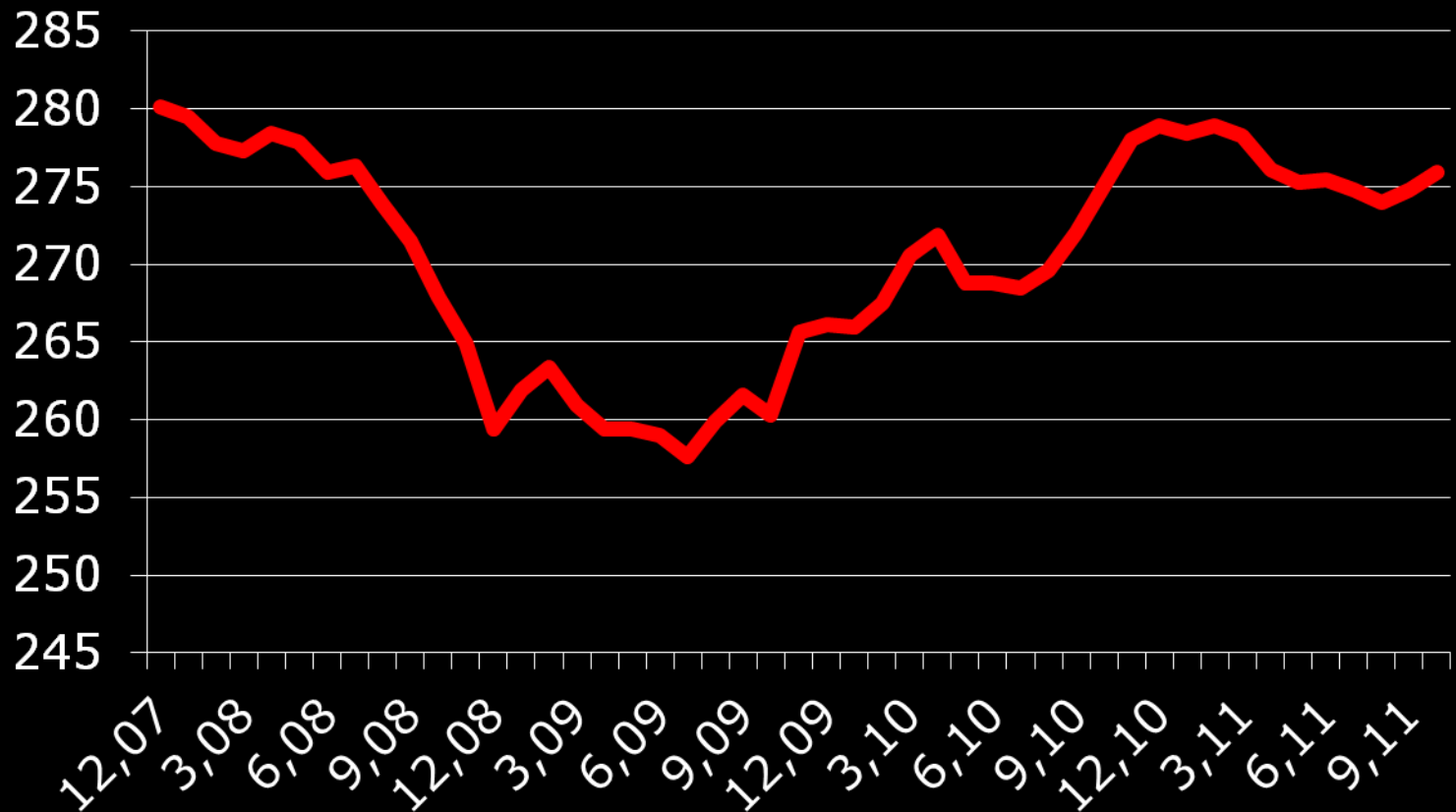


# CONSUMER FINANCIAL BEHAVIOR HAS DRAMATICALLY CHANGED (INDICES)



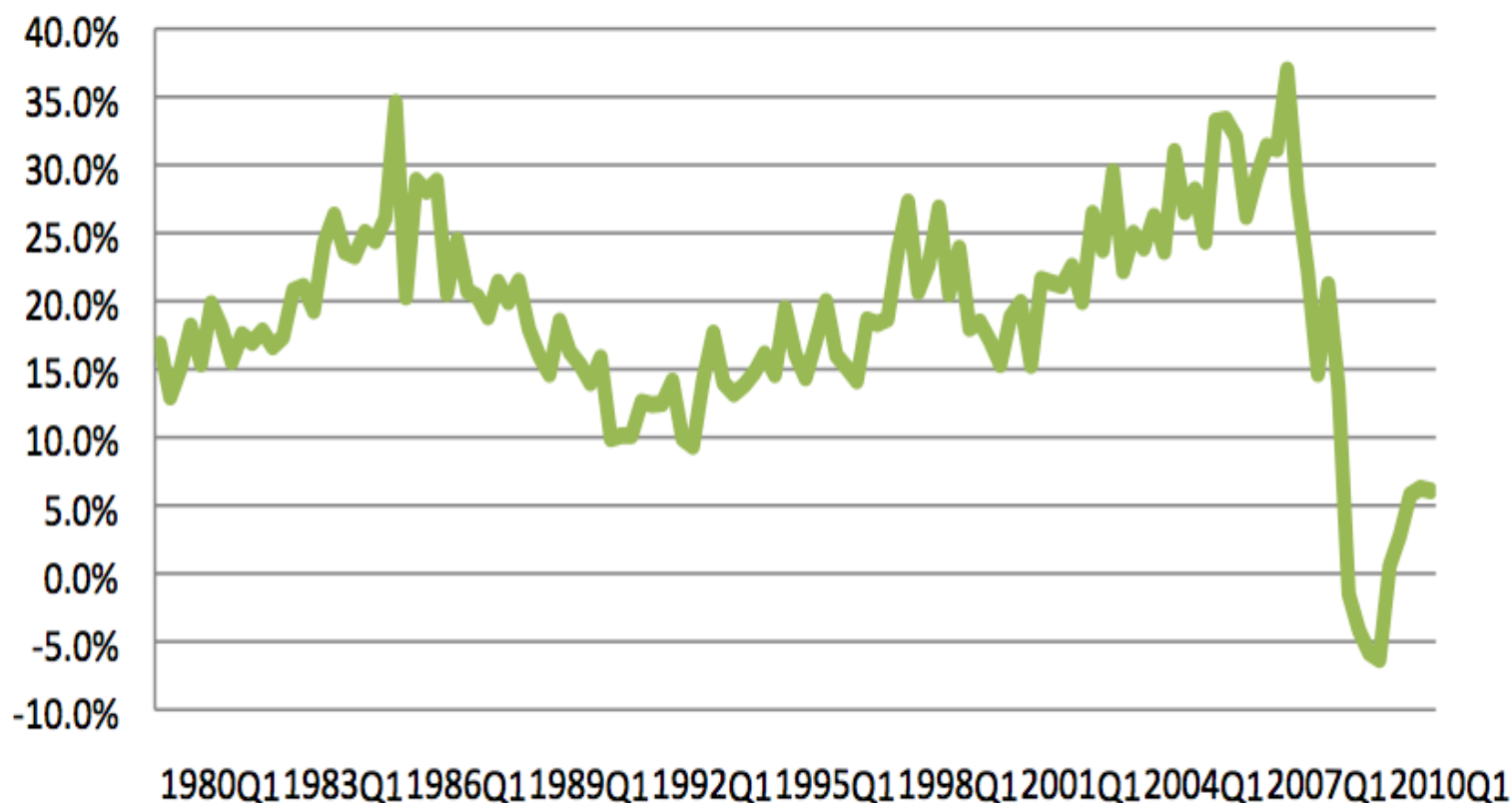
# BUT CONSUMER SPENDING AT RETAIL STORES HAS STRUGGLED LATELY

(billions of 2005 \$, seasonally-adjusted, excl. vehicles & parts)



# LENDING HAS IMPROVED – BUT SLOWLY

## Credit Growth as a % of GDP



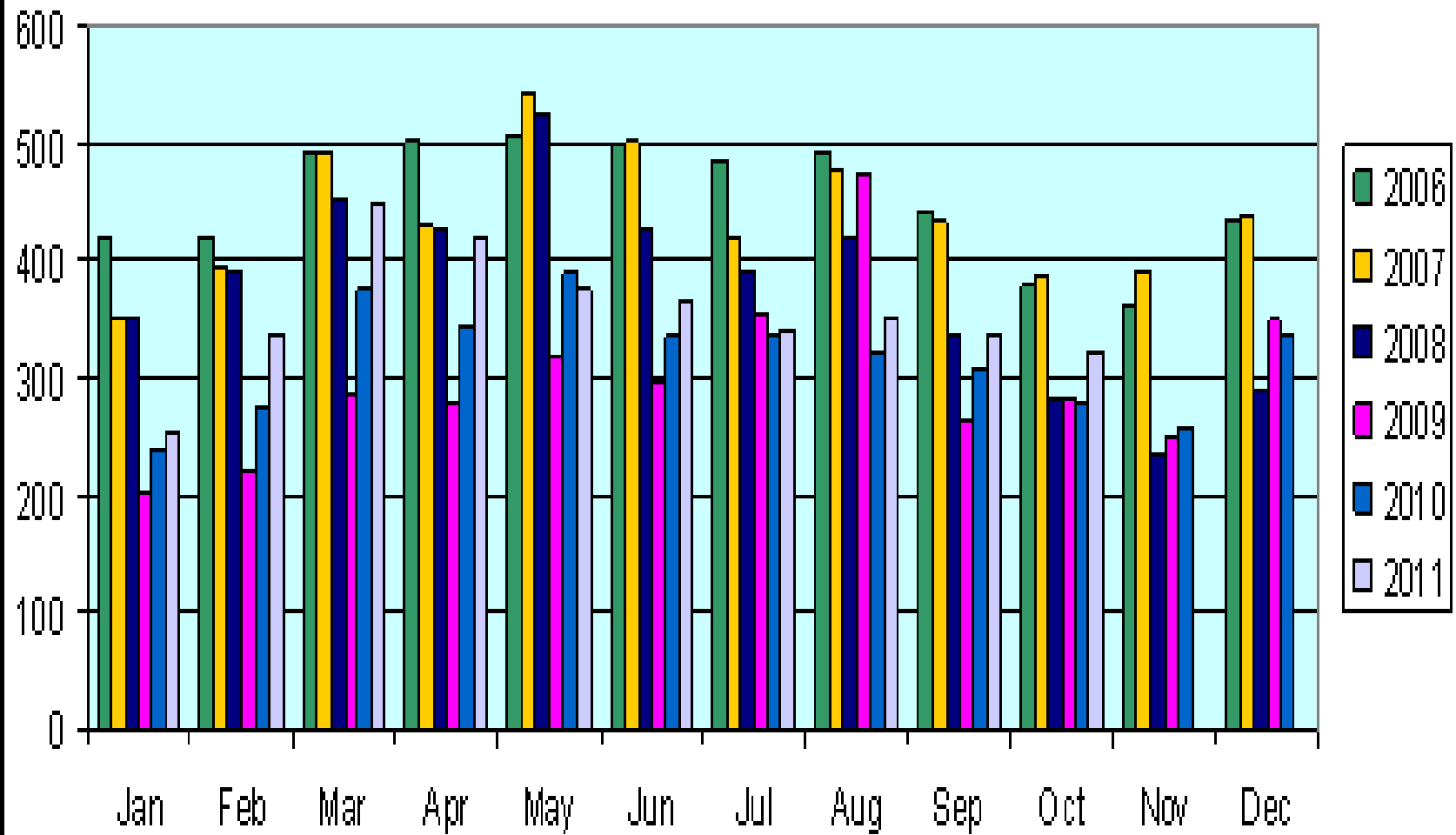


# WHY IS LENDING SLOW?

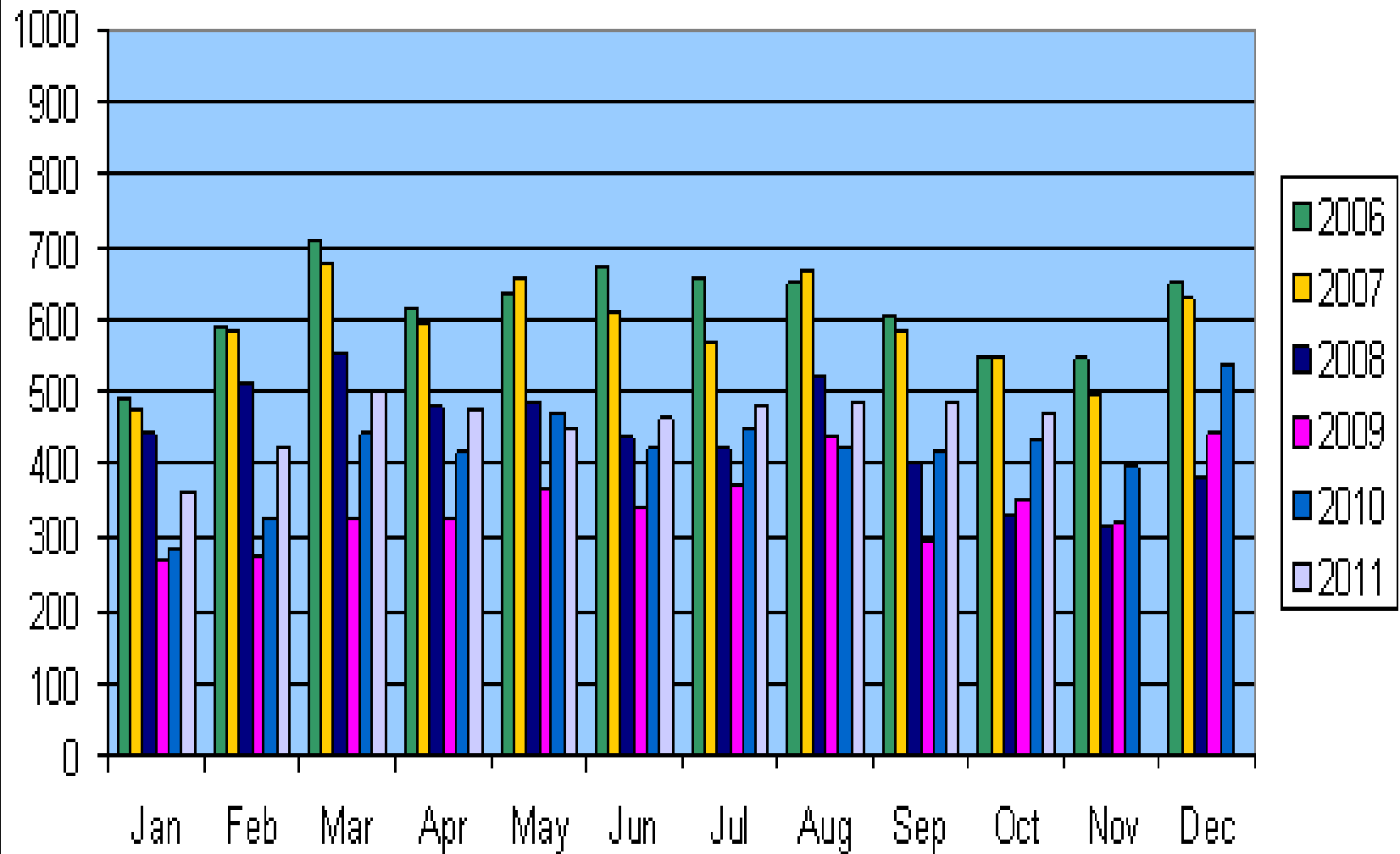
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1. SLOW CONSUMER SPENDING –  
BUSINESSES HAVE SCALED BACK
2. TIGHTER LENDING STANDARDS  
(DODD-FRANK)
3. FED PAYS INTEREST ON “EXCESS  
RESERVES” KEPT IN BANK VAULTS

# U.S. domestic car sales (thousands of units)



# U.S. domestic light truck sales (thousands of units)



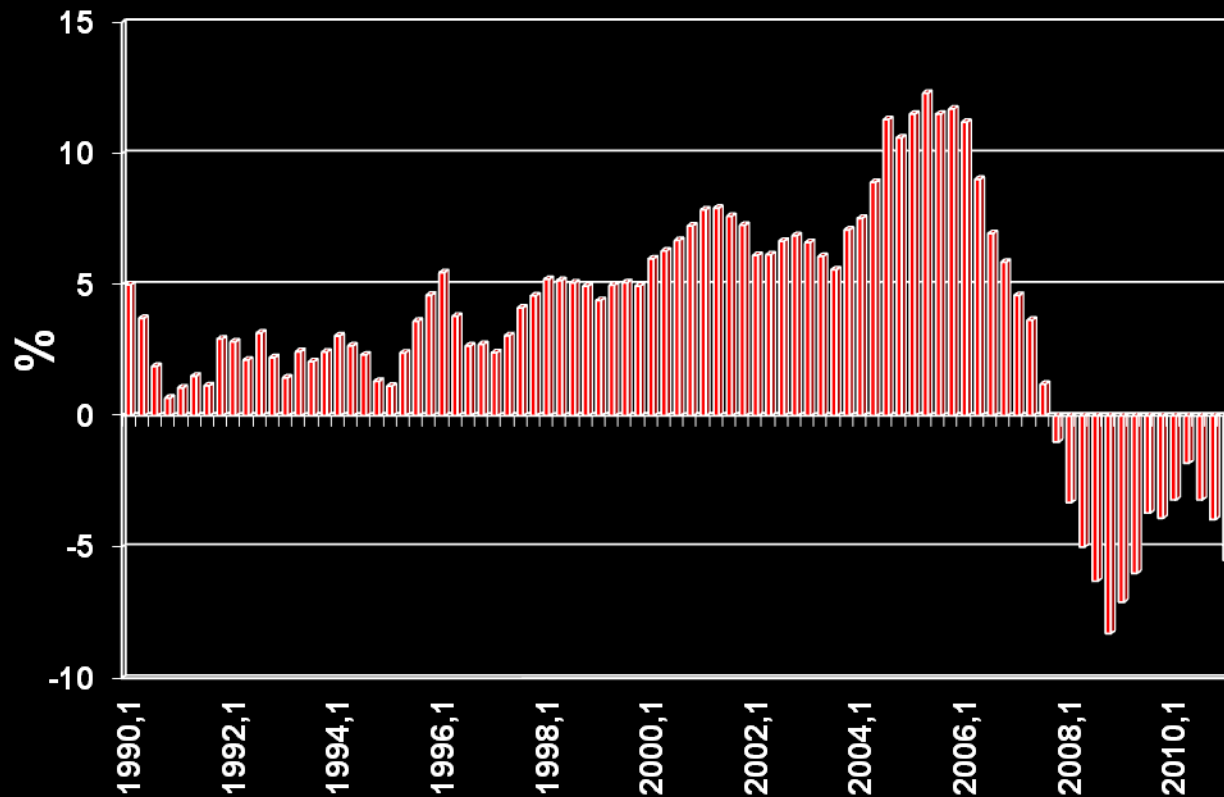
# CORPORATE PROFITABILITY HAS ALSO IMPROVED

(PRE-TAX, % OF GDP)



# HOUSING PRICES ARE STILL UNDER STRESS

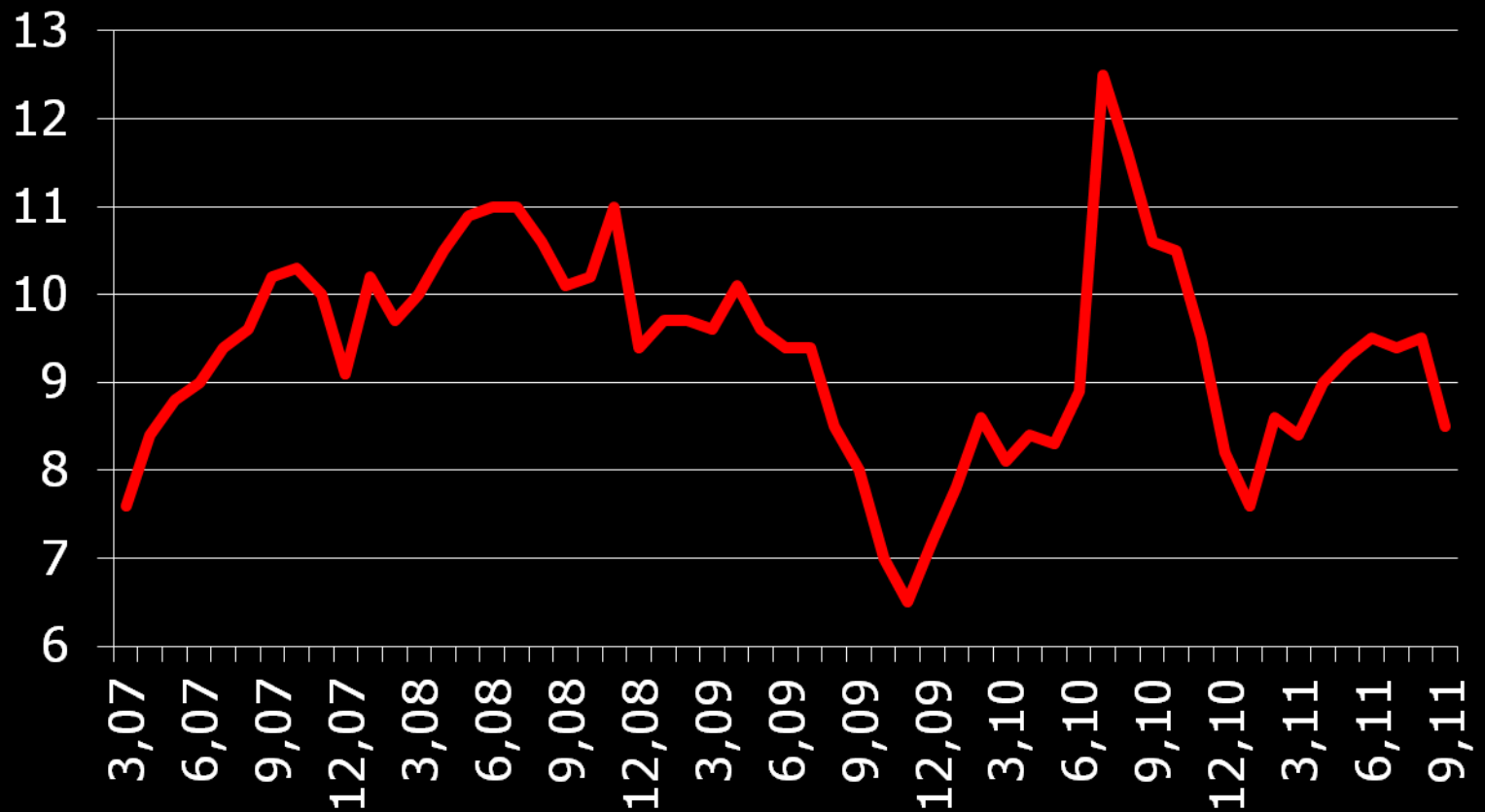
## (ANNUALIZED % CHANGE)



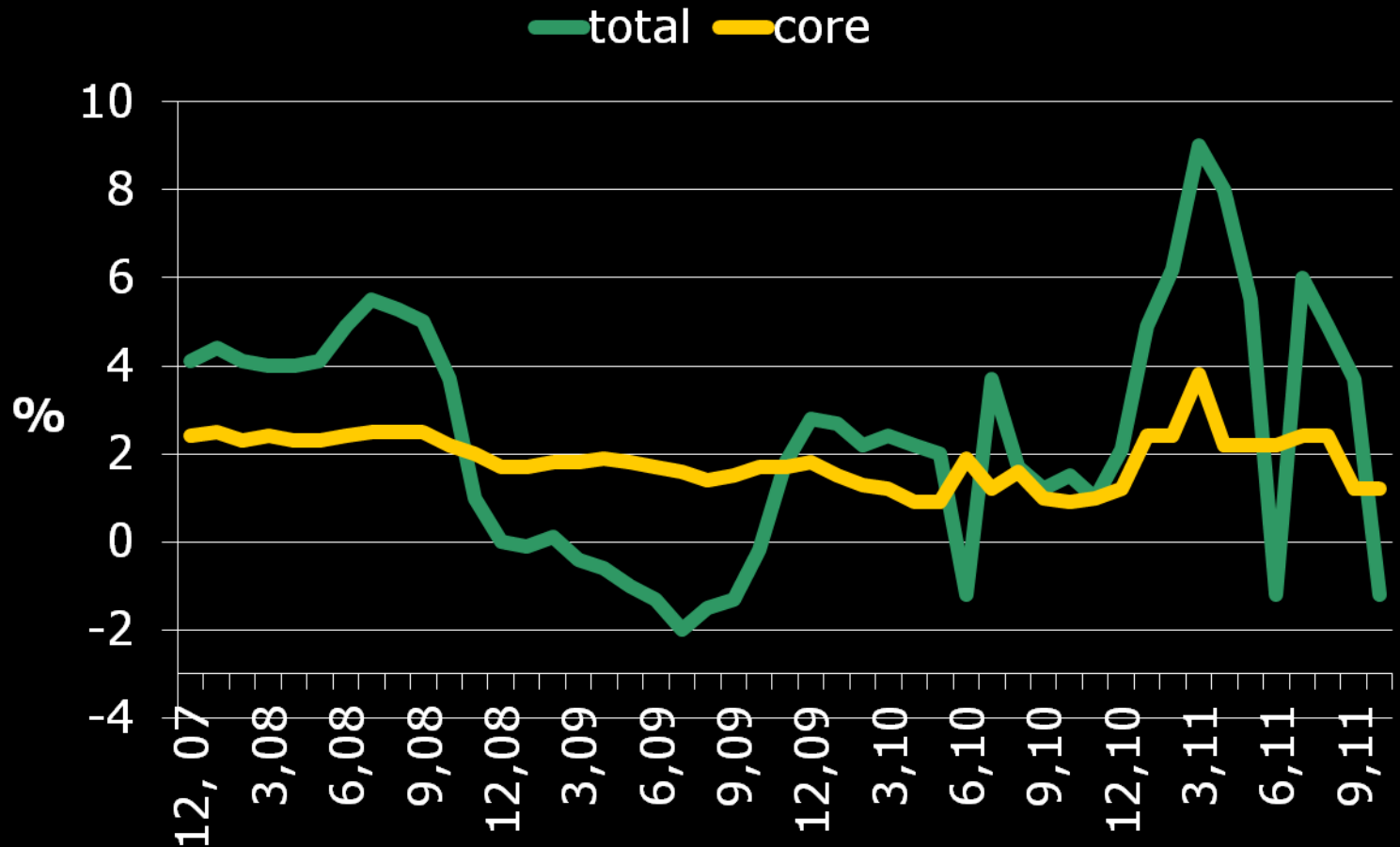


# HOME INVENTORIES ARE STILL HIGH

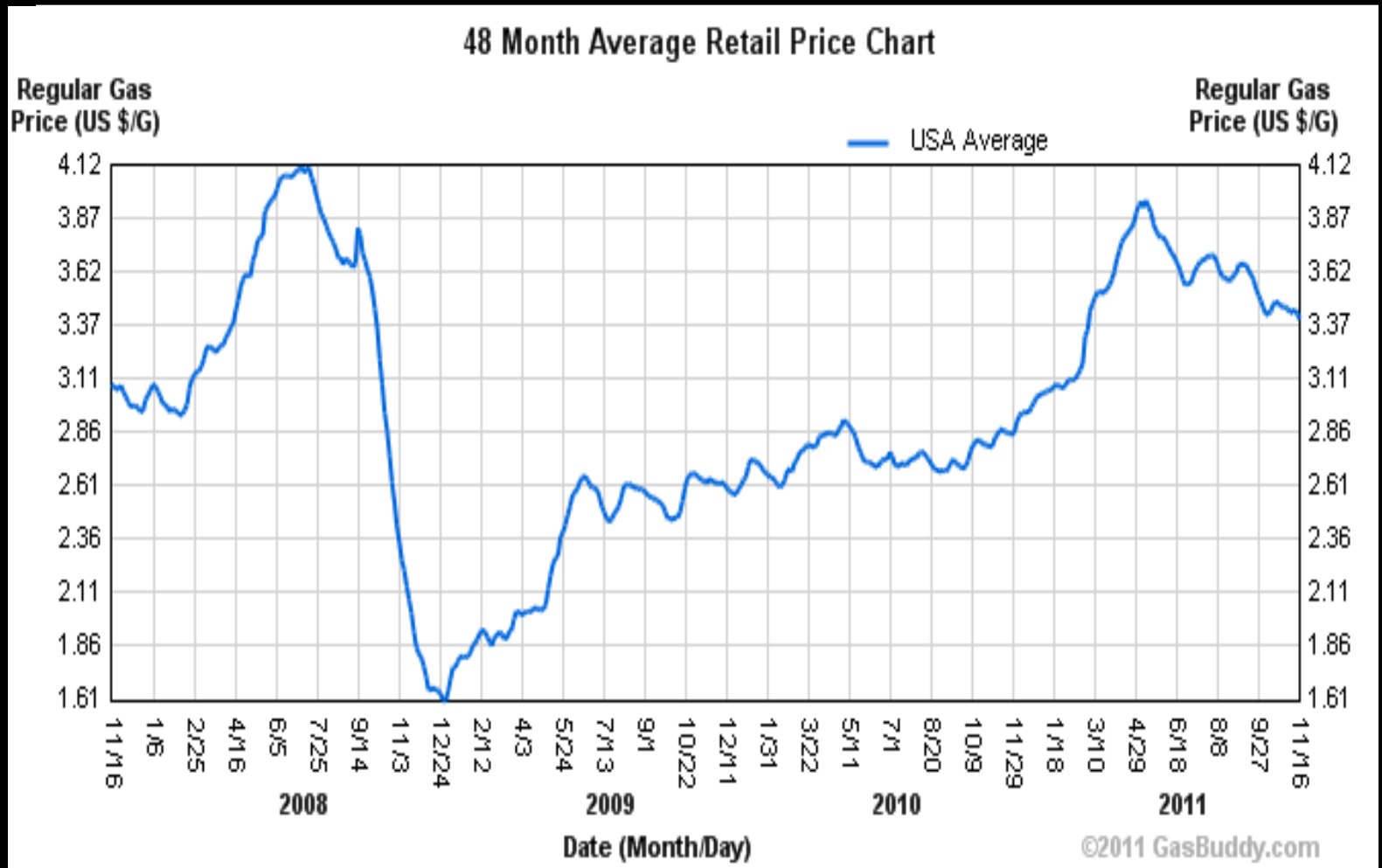
(MONTHS OF SUPPLY – UNITS)



# TOTAL INFLATION HAS BEEN VOLATILE (CPI, total and core)

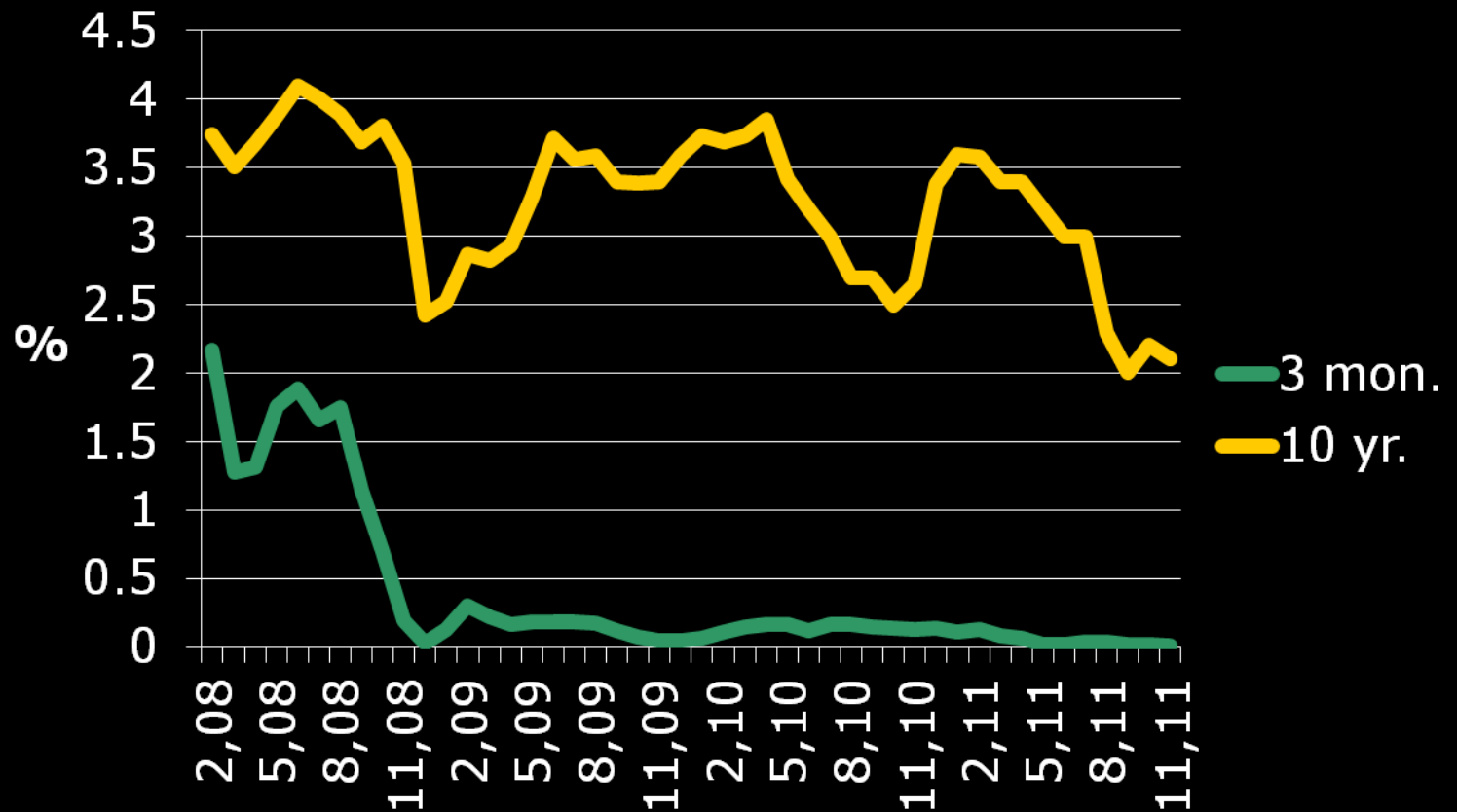


# GAS PRICE TRENDS



# WHAT ARE INTEREST RATES SAYING?

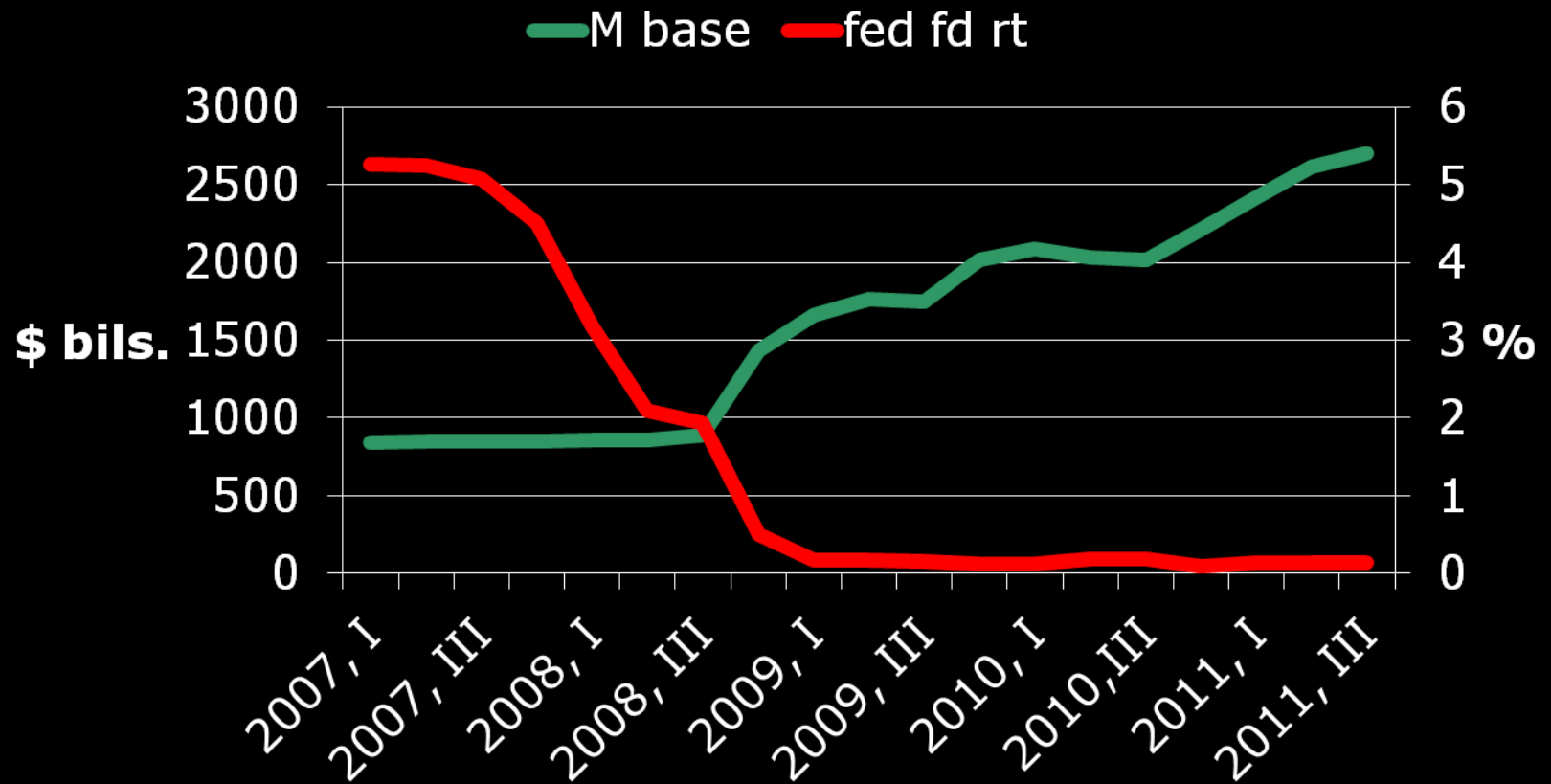
(YIELDS ON TREASURY SECURITIES)



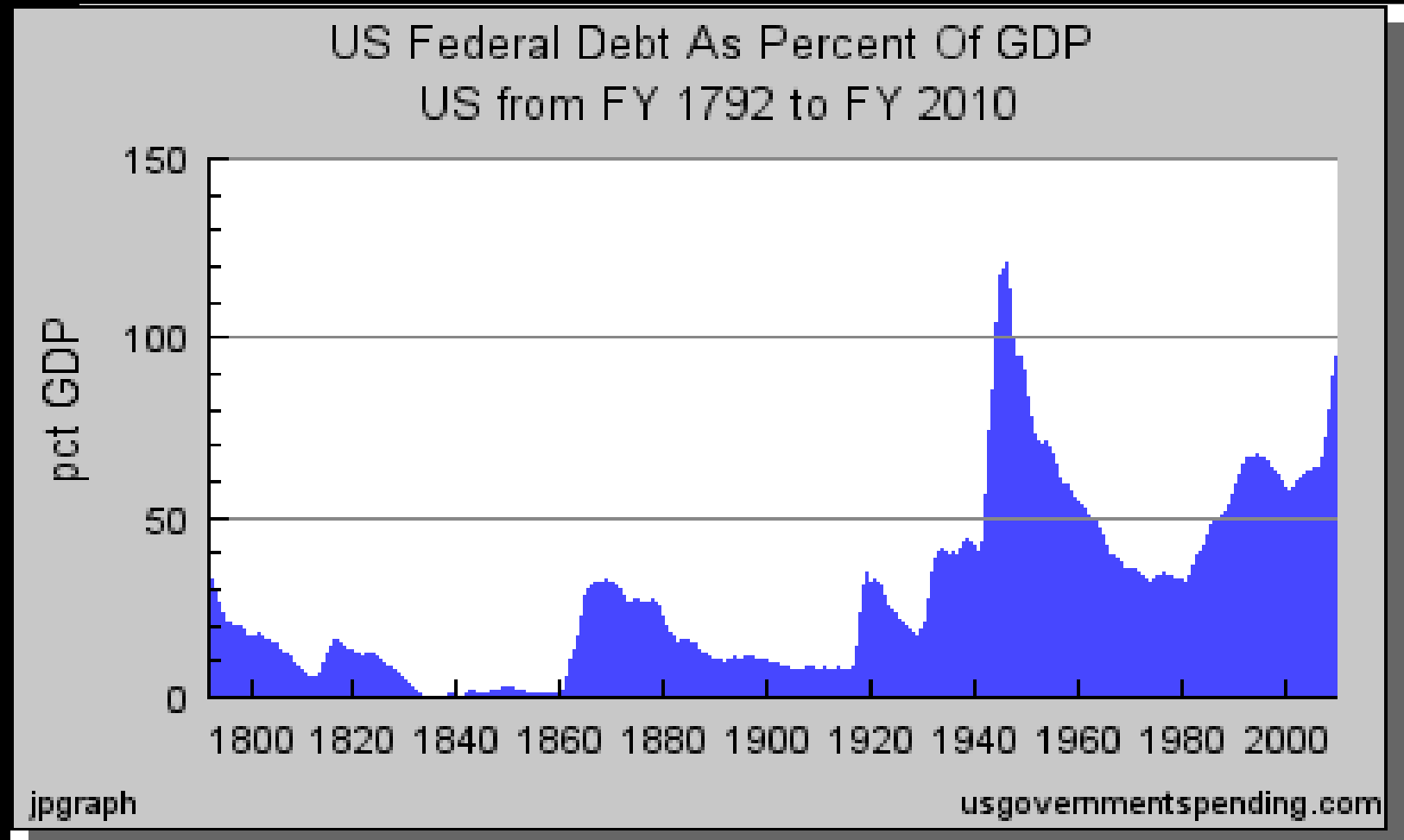
# GOVERNMENT POLICY



# The Fed's Monetary Policy



# ON FISCAL POLICY



# GOING FORWARD – DISAGREEMENT AMONG POLICY-MAKERS AND ECONOMISTS

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KEYNESIANS – MORE GOV'T SPENDING

MONETARISTS – MORE MONEY

SUPPLY-SIDERS – LOWER TAXES AND  
REGULATIONS

FISHERIANS – LESS DEBT/MORE  
INFLATION

HAYEKIANS – DO NOTHING



# NORTH CAROLINA ECONOMIY

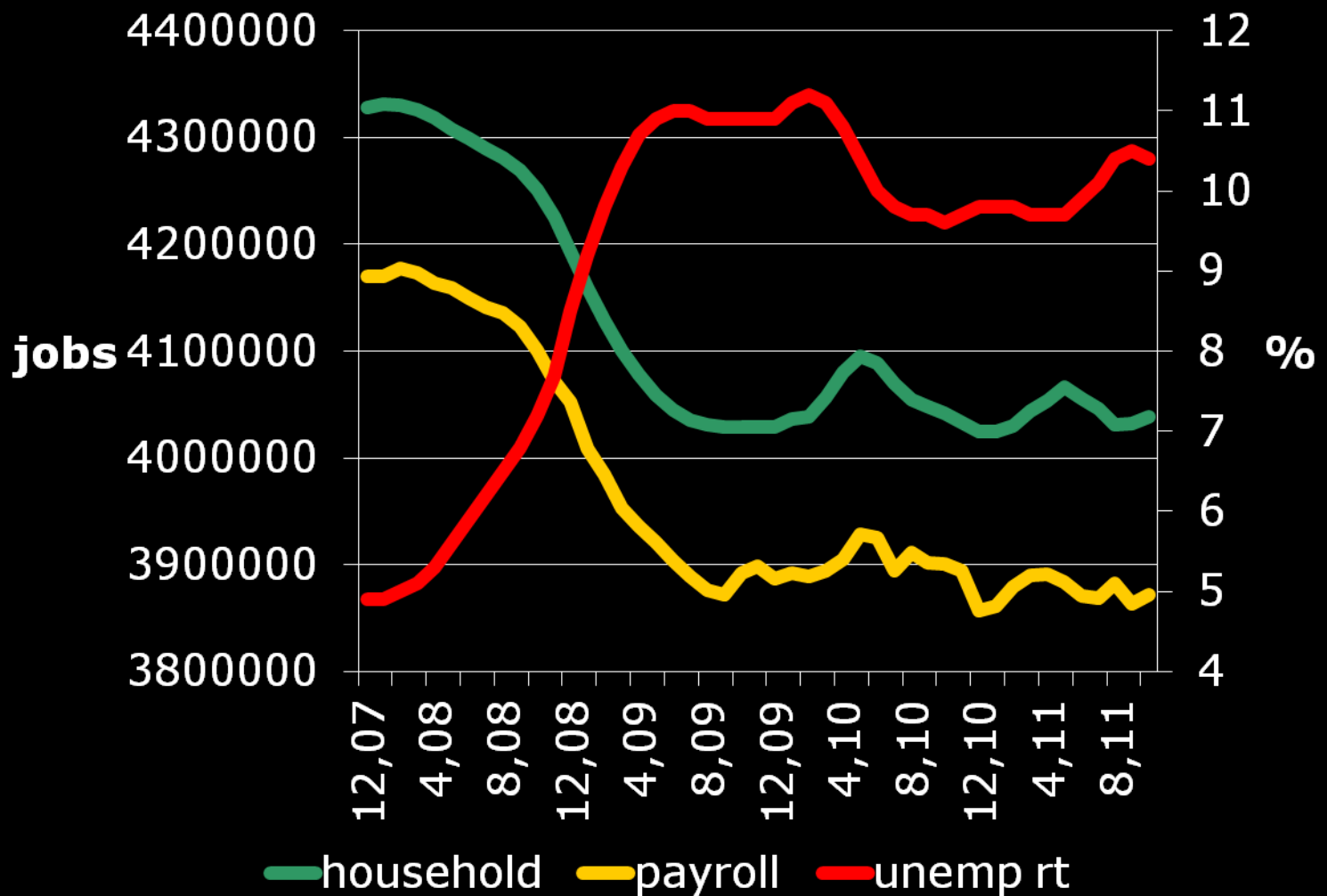


# N.C. vs. U.S. Real GDP

(annual % change)

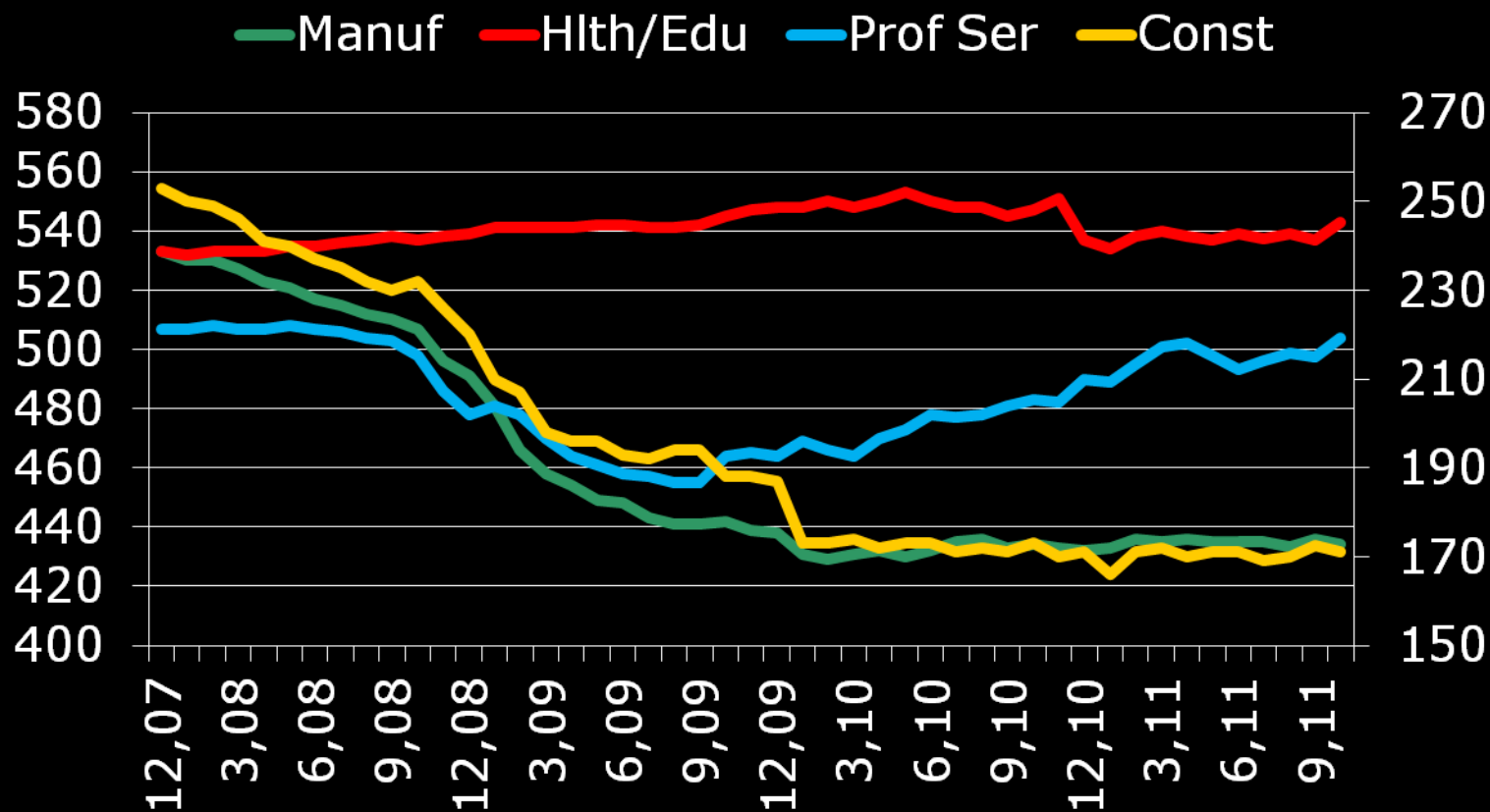


# A "STUCK" NC JOB MARKET



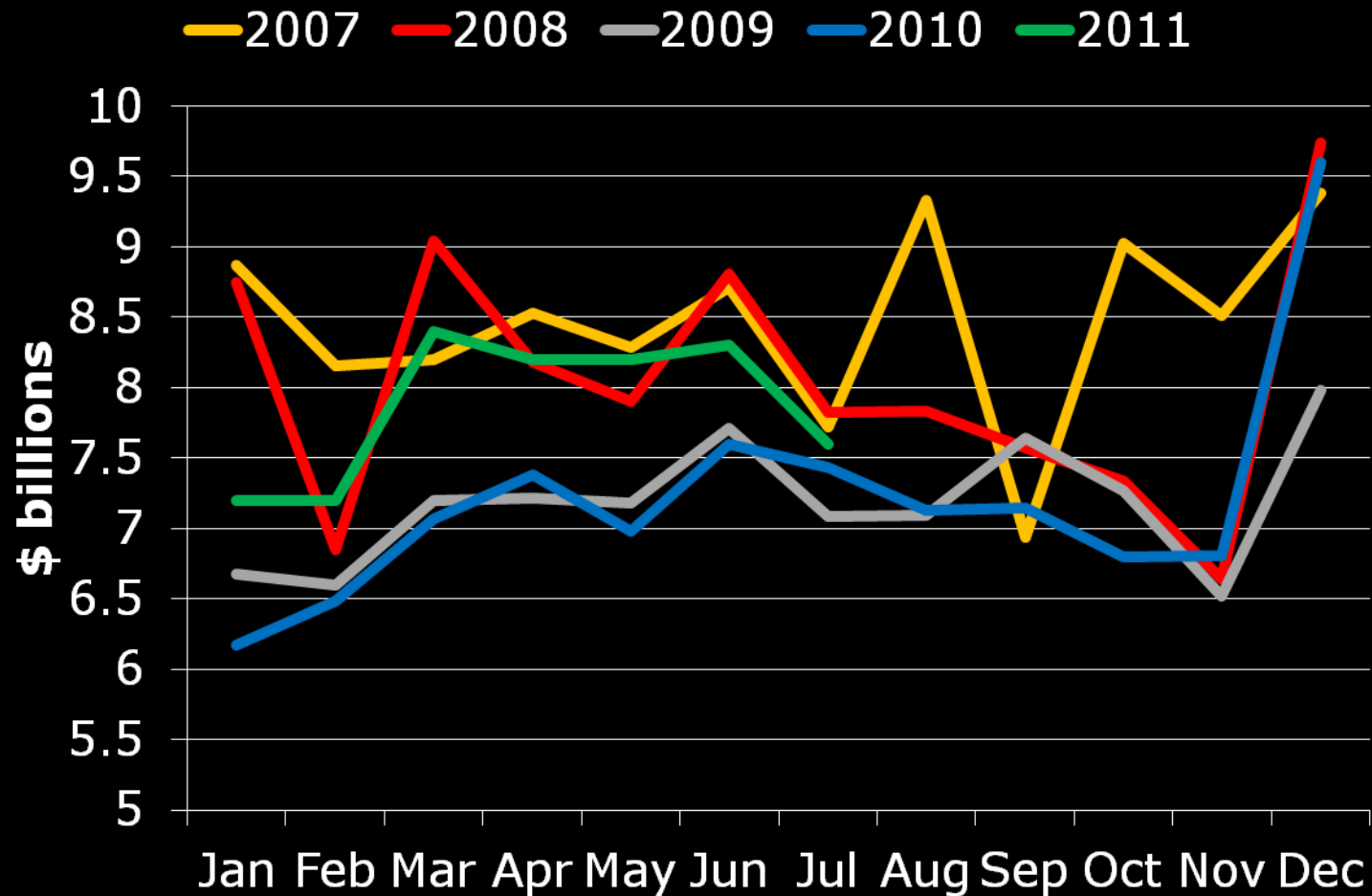
# JOB CHANGES BY MAJOR SECTOR, NC

(thousands, manuf, hlth/edu,, prof ser on left; const on right)

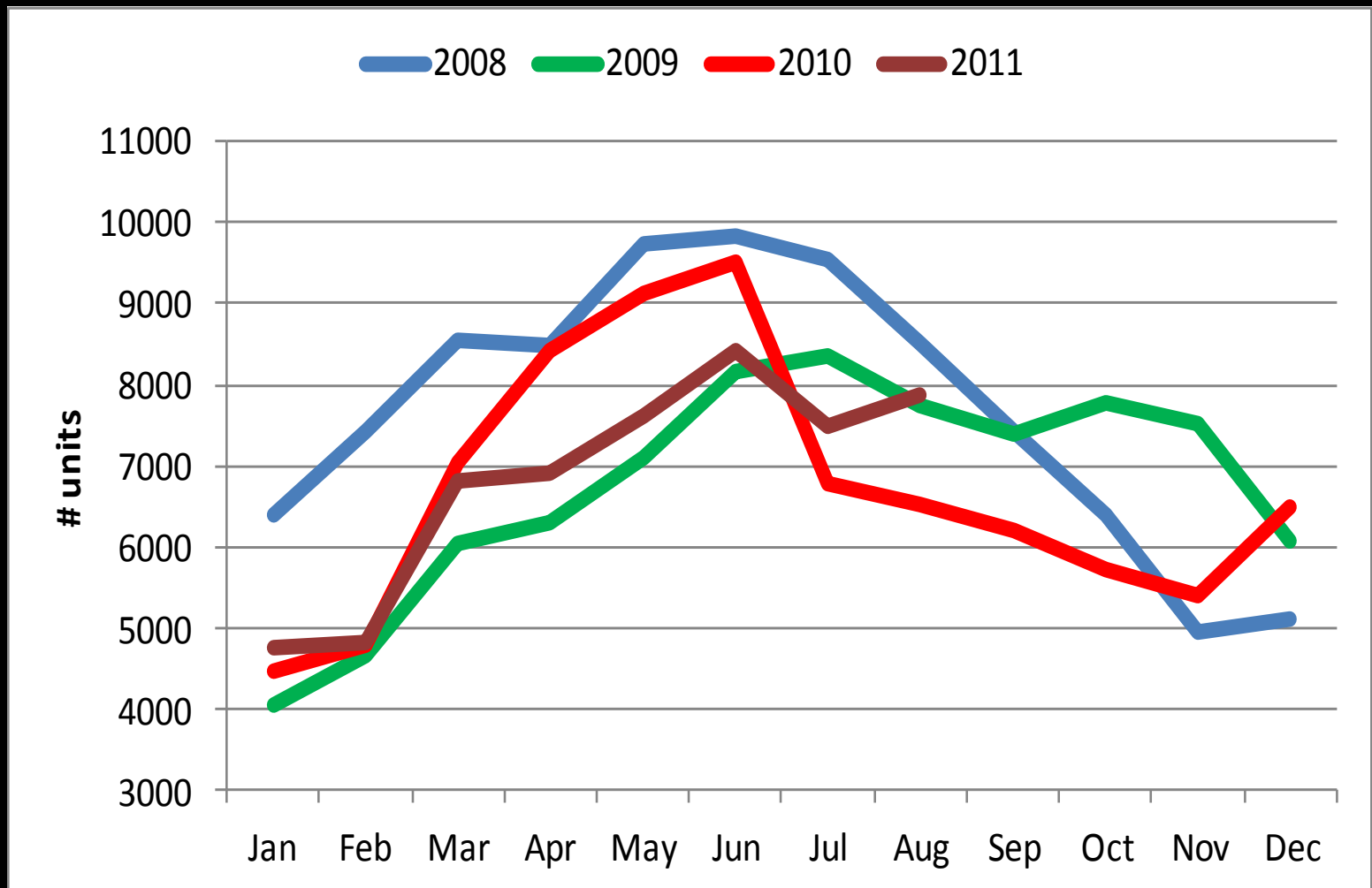


# NORTH CAROLINA RETAIL SALES

2005 \$

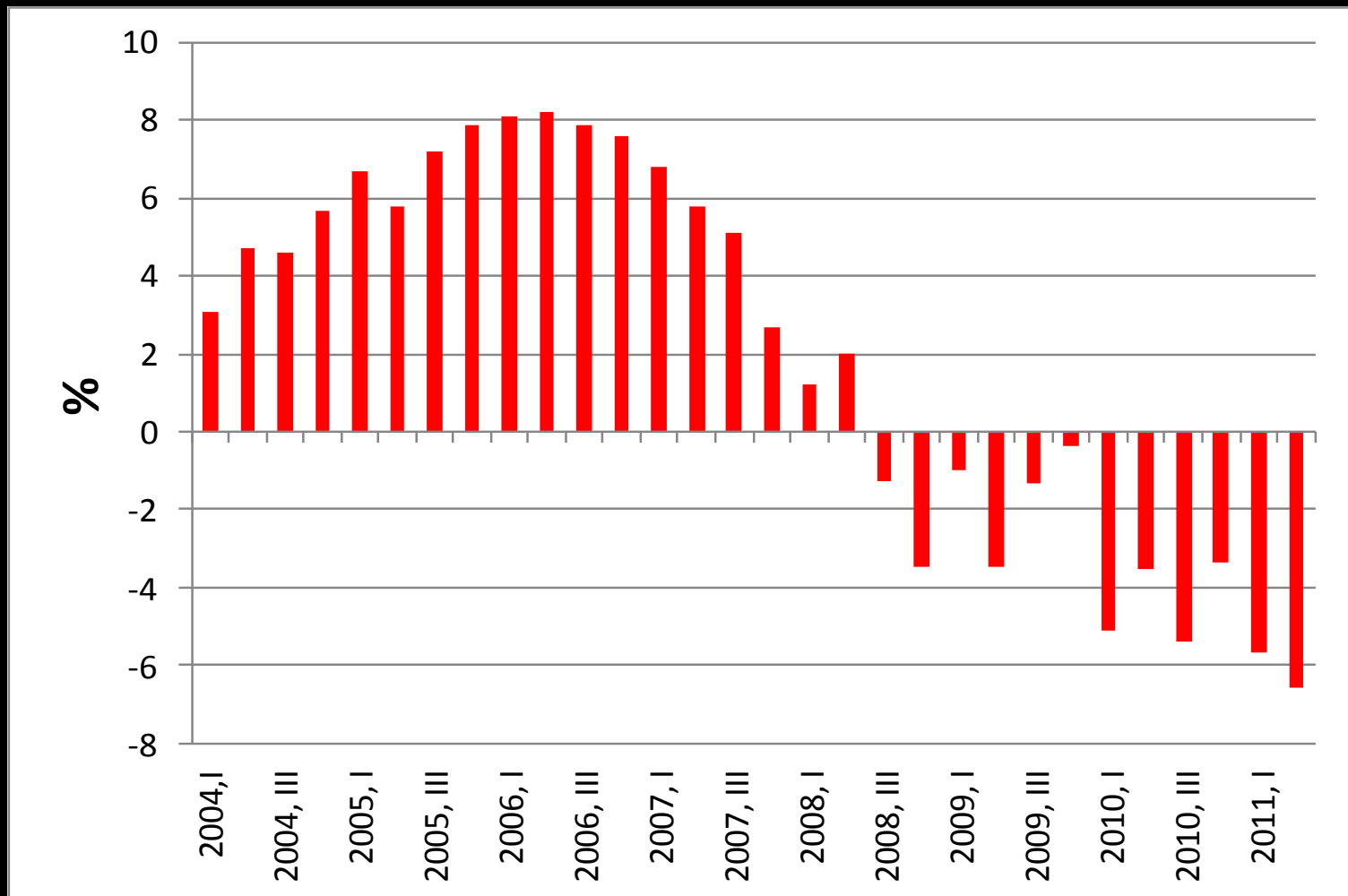


# NORTH CAROLINA EXISTING HOME SALES



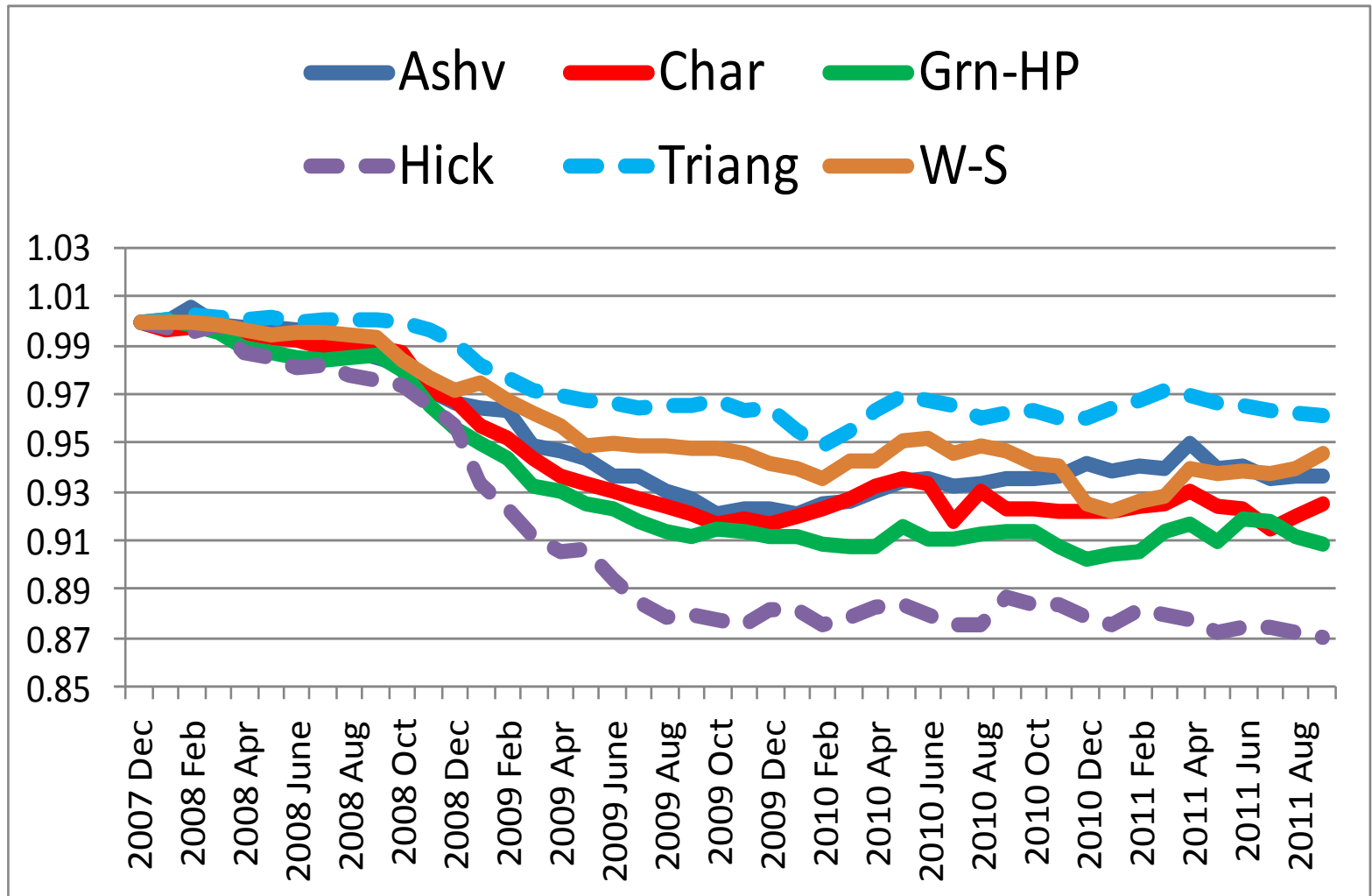
# NORTH CAROLINA HOME PRICE APPRECIATION RATE

(SEASONALLY ADJUSTED, ANNUALIZED, QUARTERLY DATA)



# NC Big Metro Job Market Trends

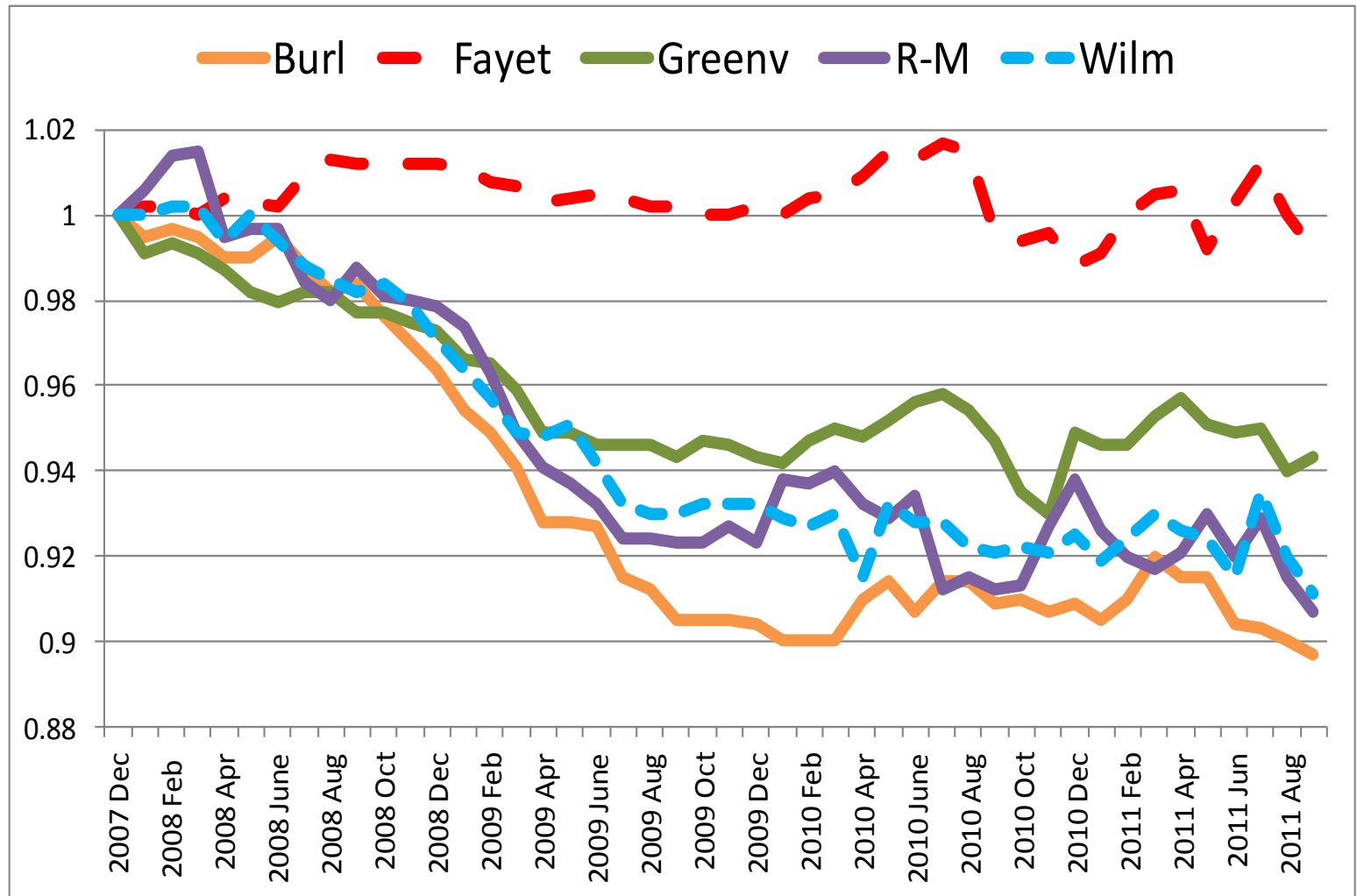
(Index, December 2007 = 100)





# NC Small Metro Job Market Trends

(Index, December 2007 = 100)



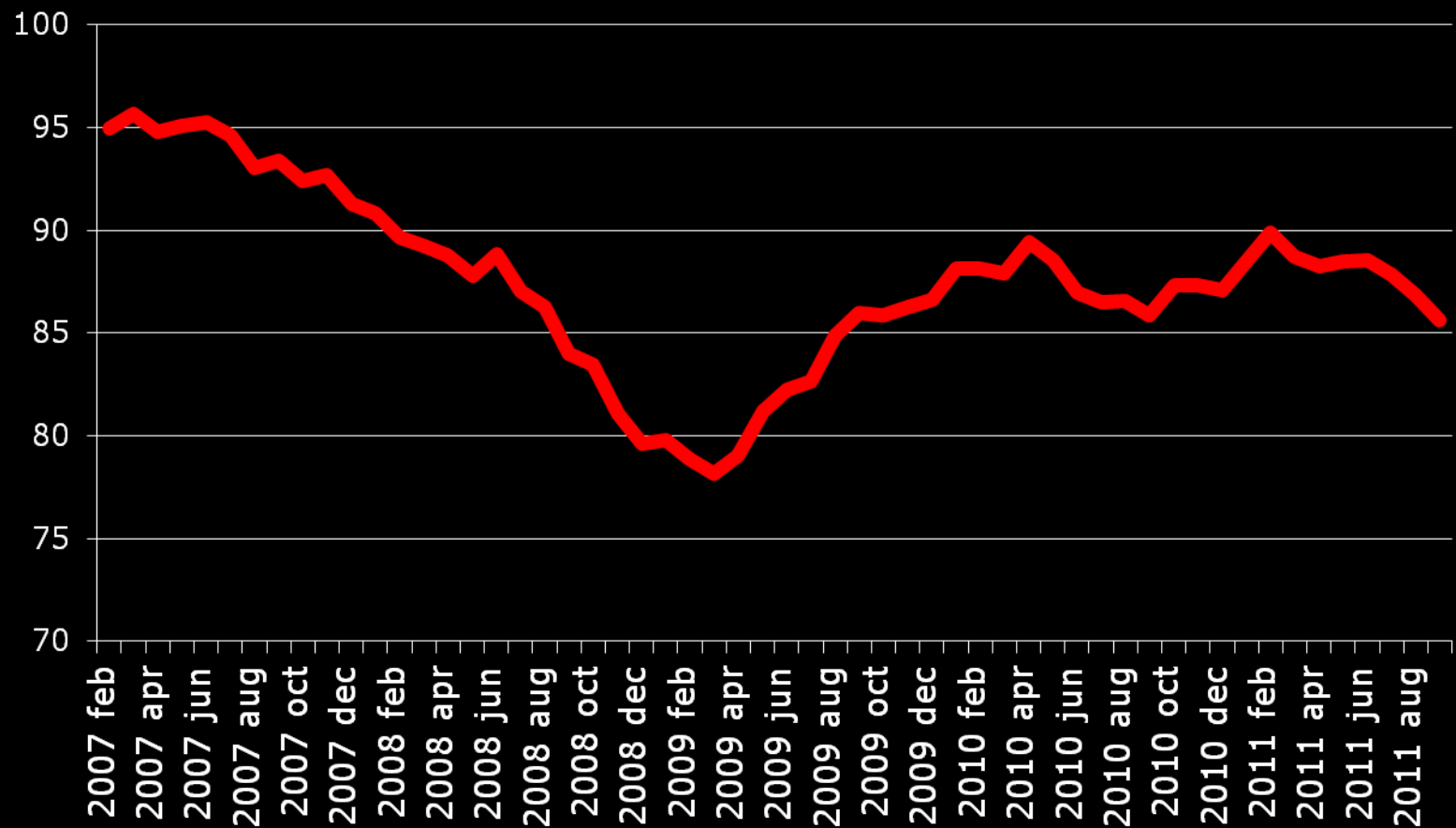
# JOB GAINS (%) IN METRO AREAS SINCE BOTTOM OF JOB RECESSION (Feb. 2010)

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Winston-Salem	1.6%
US	1.6%
Fayetteville	1.5%
Triangle	1.3%
Charlotte	0.9%
Asheville	0.4%
STATE	0.4%
Greens.-HP	0.3%
Burlington	0.0%
Rocky-Mt.	-0.5%
Greenville	-1.0%
Hickory	-1.4%
Wilmington	-1.5%



## NCSU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS



Source: calculations by Dr. Michael Walden

# NC UNEMPLOYMENT RATE FORECAST

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END OF 2012:

9.5% TO 9.7%



# PREPARING N.C. FOR THE FUTURE

MORE TECH TRAINING IN HIGH SCHOOL

MOVING STUDENTS THROUGH COLLEGE FASTER

MORE \$ FOR ROADS

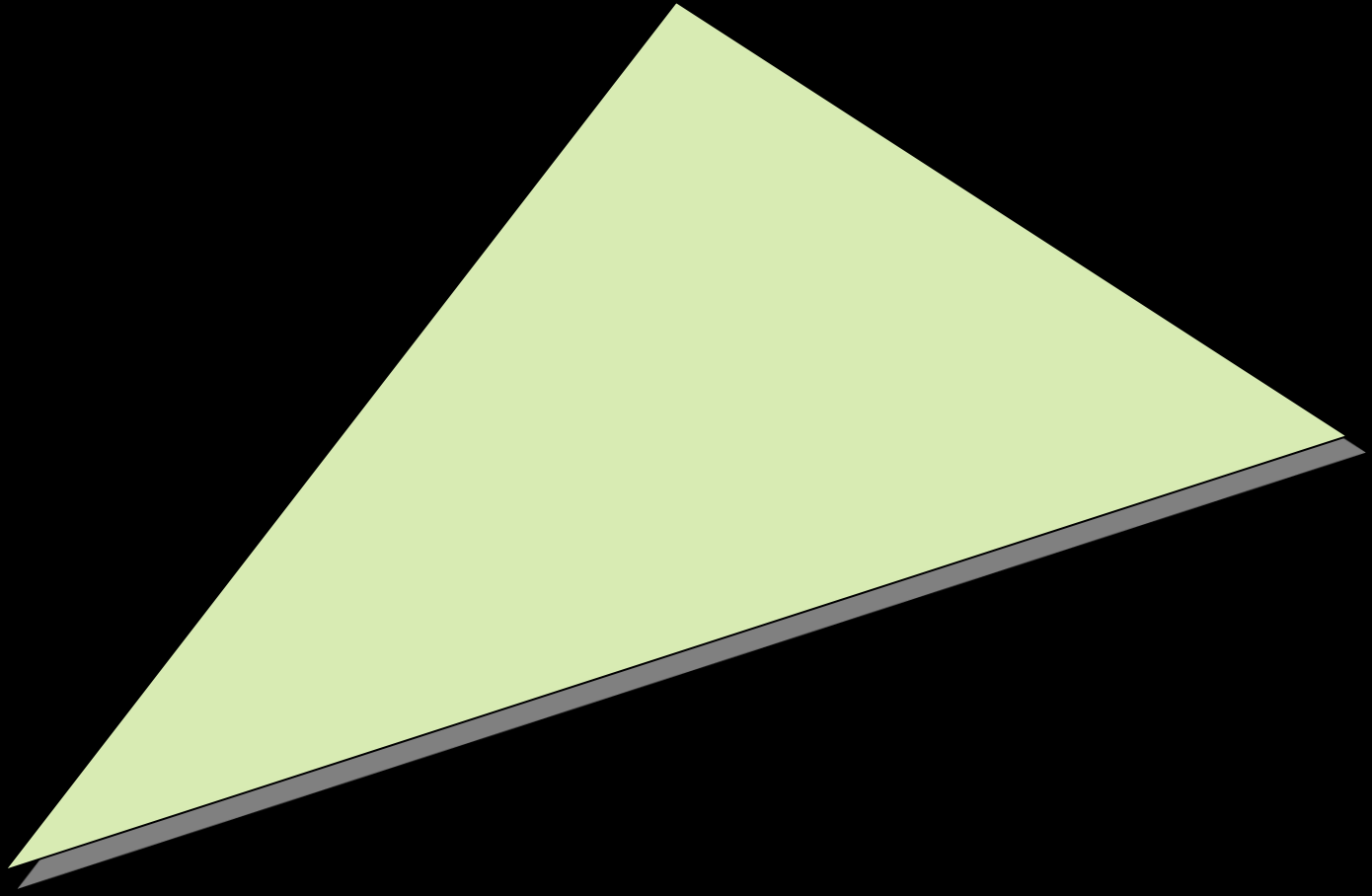
REVAMPING MEDICIAD

TAX REFORM

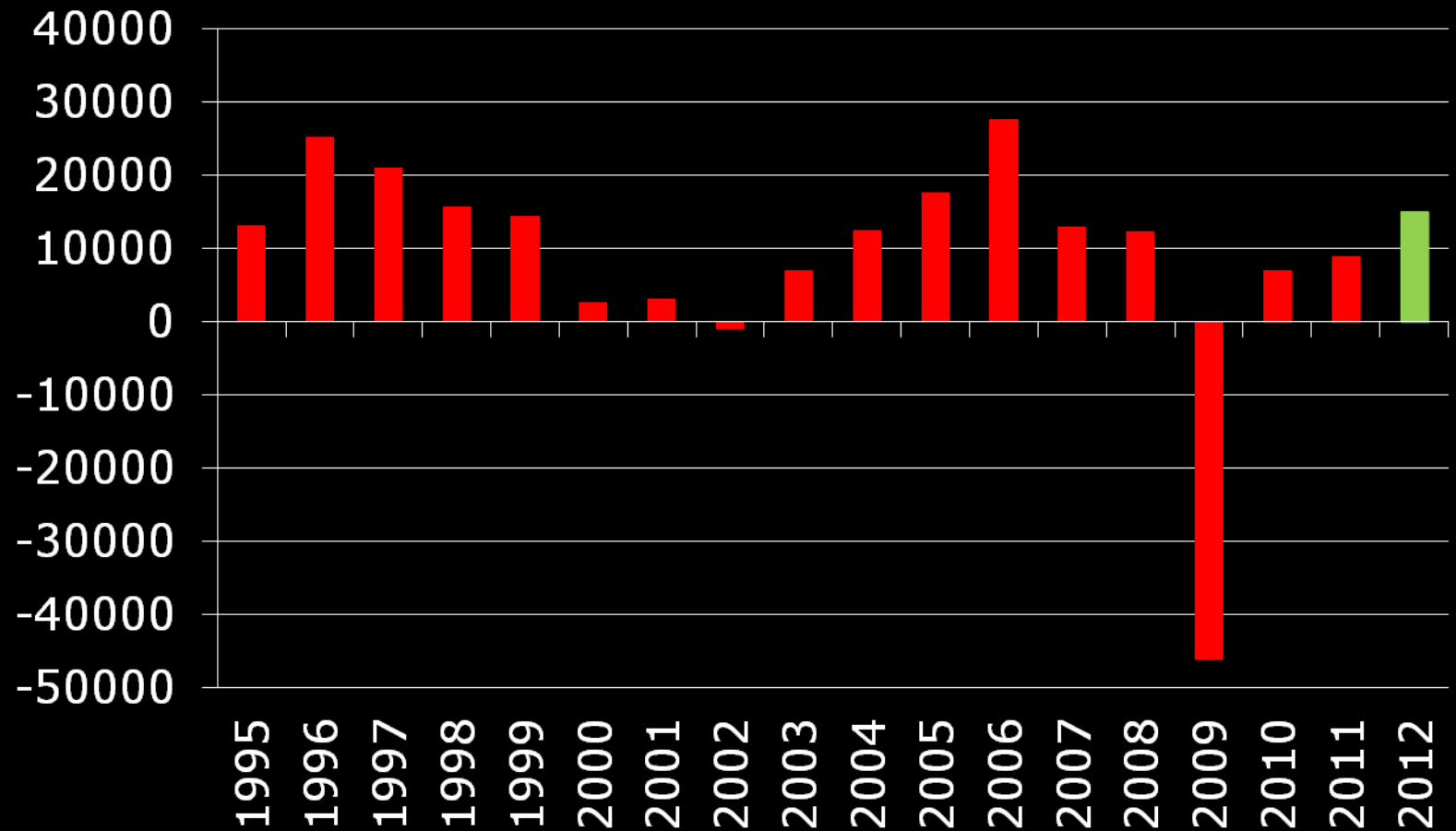


# TRIANGLE ECONOMY

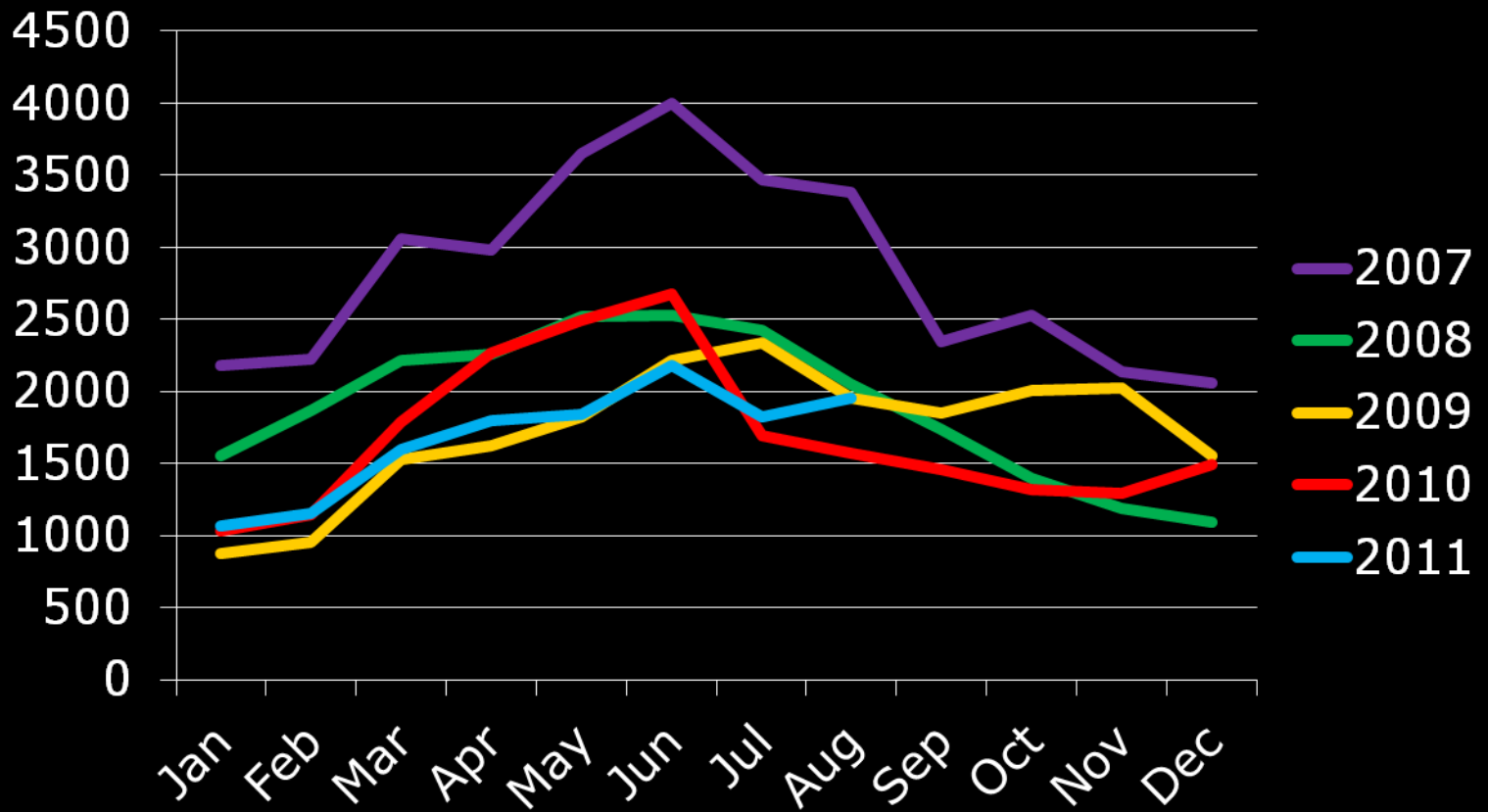
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# TRIANGLE JOB MARKET



# TRENDS IN TRIANGLE HOME SALES





# OFHEO HOME PRICE CHANGES, 2<sup>ND</sup> QUARTER 2010 TO 2<sup>ND</sup> QUARTER 2011

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U.S. -5.93%

N.C. -6.63%

Raleigh-Cary -3.14%

Durham-C.H. -2.38%